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THE ANNALS

OF THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE

Gambling: Views from the Social Sciences

Special Editors: JAMES H. FREY
WILLIAM R. EADINGTON

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July 1984

Of Special Interest

SURVEY RESEARCH BY TELEPHONE

by JAMES H. FREY, *Department of Sociology, University of Nevada—Las Vegas*

Modern customs dictate that most people own—and are quick to answer—telephones. They politely leave it to callers to terminate phone discussions, and *they respond to interviewers making telephone surveys.*

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- quicker and more economical
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- facilitated by continuing advances in telephone and telephone interview technologies

Frey provides a clear, concise picture of the advantages and limitations of doing telephone surveys. Comparing the phone survey to mail and face-to-face methods, he offers useful guidelines for researchers who seek to choose the techniques appropriate for their information needs. Authoritative discussions of the mechanics of doing survey research by telephone cover questionnaire design, strategies, administration, cost, and a host of other vital topics.

Survey Research by Telephone highlights current technological breakthroughs—notably computer-assisted telephone interviewing—and directions that phone surveying may take in the future. An ideal introduction for students of research methods as well as novices at telephone interviewing, it is a handy, state-of-the-art source of ideas and information for the sophisticated researcher.

CONTENTS: Preface / 1. Introduction / 2. Comparing Survey Methods / 3. Sampling / 4. Questionnaire Design / 5. Administration / 6. Final Considerations and the Future / Appendices / Indexes

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RICHARD D. LAMBERT, *Editor*
ALAN W. HESTON, *Associate Editor*

GAMBLING: VIEWS FROM THE SOCIAL SCIENCES

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PREFACE

Over thirty years ago *The Annals* published a volume entitled "Gambling." That issue became a landmark publication because it was one of the first serious scholarly attempts at reviewing the nature and extent of gambling and of related public policy. The contributions by Virgil Peterson on enforcement, by Albert H. Morehead on professional gamblers, and by Robert M. Lindner on gambling psychology came to be regarded as definitive statements on their respective subjects. Even though the articles in the 1950s reflected a prominent anti-gambling position, the contributing authors recognized that changes in public perceptions and public policy toward gambling were on the horizon.

More specifically, gambling was moving from a public stance of moral condemnation to one of moral ambiguity. In a nation where initiative, creativity, and hard work are encouraged through a system of incentives and rewards, gambling held out the promise of something for nothing. Our religious and economic heritage placed gambling into an unacceptable category of behavior. In addition, gambling was for the most part illegal because of its potential to corrupt political institutions and to exploit the unwary. However, the spread of legalized gambling in its many forms and the concomitant rise in participation among the general public have contributed to the relaxation of the anti-gambling position and an increase in public acceptance. This does not mean, however, that dilemmas in policy and perception do not exist. If anything, they are more complicated.

This volume examines the changes in perception and policy that have taken place since the publication of the 1950 issue. It is interesting to note, for example, how much the nature of the arguments for and against gambling have changed. In the 1950s, gambling organizations were largely seen as the domain of the racketeer and card sharp; the gambler was a fool soon to be fleeced by the cynical professionals running the game; and law enforcement and urban political organizations were corrupted by protection money paid by operators of illegal games or casinos. Finally, anyone who would succumb to the temptations of a game of chance would surely sacrifice home and hearth in the compulsive chase of a winning bet. These views continue to exist, but are less prominent and less acceptable as arguments against gambling.

Several factors have contributed to the widespread legitimation of gambling by 1984. First, all of the casinos in Atlantic City, and many of those found in Nevada, are owned and operated by publicly traded corporations that have excellent reputations. Many of these, such as Hilton, Holiday Inns, Ramada, and Metro-Goldwyn-Mayer, turned to casino gaming as a new source of profits in the face of diminished growth in their original profit centers. Second, state-operated lotteries have spread to 17 states and the District of Columbia, and several other states are considering lotteries to augment their tax structure. In all, 46 states presently allow some form of legal gambling, with bingo being the most popular game; and 33 states allow forms of legal gambling besides bingo. Third, studies show that nearly two-thirds of the general population gamble in one form or another and that this proportion is on the increase. It is highly likely that the expansion of legal gambling that has characterized the last twenty years will continue.

Yet, in spite of its apparent popularity and growing public acceptance, there is still a strong body of sentiment in opposition to the further spread of commercial gambling. Though the expansion of commercial gaming seems to follow the same pattern of other legitimate industries in this country, there is something that causes legislatures to hold back, to move slowly in broadening the presence of this morally ambiguous activity. Certainly, legal gaming has created jobs, stimulated new investment, contributed to tax coffers, and allowed many gamblers to play for fun and the prospect of unanticipated income. Still, many feel gambling does not represent the best ideals of America. Like the Europeans, we fear that the poor may gamble away money better spent on themselves or their families than in the casinos or the betting parlors. On the other hand, we do not believe in legalizing this or any activity solely for the wealthy or well-to-do.

The moral ambiguity of gambling translates to political ambiguity. We acknowledge that gambling is far too popular an activity to be banned outright, so we attempt to legalize it and then restrict it through regulation. However, the beneficiaries of the presence of gambling then argue, often successfully, that the restrictions are paternalistic and unnecessary, and only serve to slow the rate of growth of gaming-related employment, investment, profits, or tax revenues. The opponents of gambling lack the hard data necessary to document the social costs that could be expected from widespread gambling, and legislators are wary of the abilities of the various states to regulate effectively an industry as potentially volatile as gambling. The result of this process is a gradual relaxation of the sanctions against gambling, first as it is taken from illegal status to legal, and later when the restrictions placed upon the commercial gaming operators give way to persuasive economic arguments.

This issue of *The Annals* examines gambling from a wide variety of perspectives to try to gain a greater understanding of some of the dilemmas it poses to a society such as ours. Among the common themes in the articles of this volume is the sentiment that, if we are going to allow commercial gambling to exist, we need to organize and regulate it in such a fashion that the damage it does to individuals, organizations, and institutions is largely contained; whereas the benefits that accrue to gaming industries, to the gambling consumers, and to government treasuries are enhanced at the greatest compatible level. Obviously this creates considerable conflict in the public policy arena, especially between those who are the direct recipients of the benefits and those who feel they will absorb the brunt of the damages. Thus, unlike other economic goods, more gambling may not be preferable to less; the difficult question is, how much is enough?

The articles in this issue of *The Annals* also point out many of the policy dilemmas that have confronted lawmakers and law enforcement agencies as they have tried to deal with the legalization and control of commercial gambling. A number of the articles also explore the activity from a social and psychological perspective. After all, gambling is only a form of play reinforced with money, but it certainly does have the ability to attract and hold the attention of gambling participants for long periods of time, sometimes to the point of obsession. Other articles examine the phenomenon of gambling from the practitioner's view, looking

at such topics as playing poker professionally, analyzing sports wagering markets, or running a modern casino. In all, we expect that the articles included in this issue of *The Annals* will provide considerable insight into how society affects and is affected by gambling, and hence broaden the understanding of this intriguing subject.

WILLIAM R. EADINGTON
JAMES H. FREY

ANNALS, *AAPSS*, **474**, July 1984

Legal Regulation of Gambling since 1950

By G. ROBERT BLAKEY

ABSTRACT: Prior to 1950, gambling activity was generally prohibited at the federal and state levels. Since that time, a movement has developed to legalize various forms of gambling, first lotteries and more recently casino operations. Federal policies against gambling, supported by Congress's power over interstate commerce, have been principally motivated by a desire to control organized crime. They have been more successful at curtailing certain forms of gambling, chiefly illegal casinos, than they have been at cutting down organized crime itself. State policies toward lotteries have shifted from prohibition to state authorization as a means of raising revenue. Controversial, they appear to be a fixed feature of modern fiscal policy. Long limited to Nevada, casino operations are now found in New Jersey, and they are widely under examination for adoption elsewhere. Organized crime influence in allied services and unions, if not the casinos themselves, remains a serious problem. Reconsideration of fundamental policies toward gambling should take into account their economic, political, social, and moral as well as legal implications.

G. Robert Blakey, a professor of law at the Notre Dame Law School, received his juris doctor from Notre Dame in 1960. In 1970 he was the chief counsel to the Senate Subcommittee on Criminal Laws and Procedures, when Public Law 91-452 was processed, Title VIII of which created the Commission to Review National Policy toward Gambling. From 1973 to 1980 he was professor of law at the Cornell Law School and director of its Institute on Organized Crime. He is editor of The Development of the Law of Gambling: 1776-1976.

NOTE: The assistance of Ms. Lynnette Conway (Notre Dame Law, 1983) in the preparation of these materials is acknowledged.

PRIOR to 1950, gambling activity was, with some exceptions, generally prohibited at the federal and state levels.[1] In the last two decades an increasing trend toward the legalization of various forms of gambling activity has been witnessed. As a result of this shift—and due to increasing fiscal woes—several states have legalized various forms of gambling. During this same period national attention has also been focused on the threat of organized crime syndicates, for which illegal gambling has been thought to provide a major, although declining, source of revenue. While states reconsidered their gambling prohibitions, the federal government strengthened its anti-gambling legislation in an effort to combat organized crime.

A survey[2] of the 50 states and the District of Columbia shows that today only 4 states—Hawaii, Indiana, Mississippi, and Utah—ban all types of gambling activity. Thirty states, on the other hand, permit pari-mutuel betting on horses, while 13 states permit it on dogs. Betting on jai alai is lawful in 4 states; sports betting is lawful in 3. Eighteen states, as well as the District of Columbia, operate lotteries. Bingo is legal in all but 8 states. Nevada and New Jersey allow casino gambling, while North Dakota permits low-limit blackjack, and California permits poker. Finally, other states, including New York and Pennsylvania, are actively studying the feasibility of casino-type operations.

This article examines the major legal developments since 1950 relating to both legal and illegal gambling activities. In the discussion of illegal gambling activities, it examines the various federal anti-gambling acts and selected state legislative efforts to control particular games. The discussion of legal gambling activities deals first with the phenomenon of state-run lotteries, then the advent of casino gambling in Atlantic City, New Jersey, and finally, other legal games such as bingo, jai alai, and off-track betting.

ILLEGAL GAMBLING—FEDERAL ANTI-GAMBLING PROVISIONS

Since 1950 the federal role in the regulation of gambling has expanded significantly.[3] The principal anti-gambling legislation was enacted in three cycles, resulting from the Kefauver Committee investigations of 1950-51, Attorney General Robert F. Kennedy's program against organized crime in 1961-62, and the Nixon administration's anti-crime efforts of 1969-70. In addition, an effort was made to accommodate the rise of state-operated lotteries to federal law.

The Kefauver Committee

In February of 1950 the Attorney General's Conference on Organized Crime convened to discuss the need for new, concerted action to deal with organized crime, particularly syndicated gambling. Three months later, the Special Senate

1. U.S., Department of Justice, Law Enforcement Assistance Administration, National Institute on Law Enforcement and Criminal Justice, *The Development of the Law of Gambling: 1776-1976* (Washington, DC: Government Printing Office, 1976); Commission on the Review of the National Policy toward Gambling, *Gambling in America* (Washington, DC: Government Printing Office, 1976).

2. Jim Smith, "The National Pastime May Be Going on off the Field," *Newsday*, 28 May 1983; "Gambling Rage: Out of Control?" *U.S. News and World Report*, 30 May 1983, p. 28.

3. G. Robert Blakey and Harold Kurland, "The Development of the Federal Law of Gambling," *Cornell Law Review*, 63:923 (Aug. 1978).

Committee to Investigate Organized Crime in Interstate Commerce—the Kefauver Committee—was established. Senator Kefauver's chief concern was with the crime syndicate's control of casinos, both illegal and legal, and horse-race wagering, and, in particular, its rampant use of slot machine profits to corrupt public officials. At the beginning of the probe, Attorney General J. Howard McGrath said that the Department of Justice "had no persuasive evidence that a 'national crime syndicate' . . . [existed]."[4] The committee supplied it. In addition, the committee's hearings resulted in the passage in 1951 of the Gambling Devices Act, also known as the Johnson Act, which was designed to limit the interstate transportation of gambling devices. The bill was aimed primarily at the crime syndicate's control of the slot machine traffic.

The basic provisions of the act define gambling devices, prohibit their interstate transportation under certain conditions, and require reporting and registration by their manufacturers. The act has been successfully applied to a variety of gambling devices, and the constitutionality of its basic provisions has been decisively established.[5] In addition, federal intervention under its terms has virtually ended the interstate traffic in illegal gambling machines.

Robert F. Kennedy's program against organized crime

As attorney general in the early 1960s, Robert F. Kennedy exerted vigorous efforts against organized crime and syndicated gambling, resulting in three new substantive provisions and the amendment of another act. These provisions were designed, insofar as was possible, to confine gambling operations within individual states.

The first provision was an addition to the general gambling chapter of Title 18 of the United States Code, which had previously dealt only with gambling ships. Section 1084 was added to prohibit the interstate transportation of wagering information or wagers. Its aim was to eliminate the race wire service and to curtail the interstate system of betting. Its purpose was to affect organized crime by cutting down the flow of one of its sources of revenue—gambling activities. Section 1084 applies only to those "engaged in the business of betting or wagering," not to the individual bettor. It prohibits the use of a "wire communication facility" by the business gambler to communicate gambling information or wagers. The provision contains an exemption for legitimate news reporting of sports events.

Section 1084 has been upheld as constitutional and has been construed to reflect a congressional policy against the use of interstate facilities for gambling. Its enactment virtually eliminated the race wire service, but its enforcement has been less successful in dismantling the interstate betting networks.

The Travel Act[6] was the second piece of legislation enacted during this period. This legislation was designed to prohibit

4. Theodore J. Wilson, "The Kefauver Committee 1950," in *Congress Investigates: A Documented History 1792-1974*, ed. A. Schlesinger, Jr., and R. Burns (New York: Chelsea House, 1975).

5. Blakey and Kurland, "Development of the Federal Law of Gambling," pp. 963-64; the reporting provisions, however, have succumbed to self-incrimination objections.

6. 18 U.S.C. § 1952.

interstate travel with the intent to engage in certain unlawful activities, one of which was gambling. The act prohibited only the business enterprise of gambling, not social gambling. Nevertheless, it is not a violation per se of its provisions for a person in the unlawful gambling business to travel interstate; to be unlawful the travel must relate to the gambling business.

The Travel Act has survived various challenges to its constitutionality. It has been consistently and straightforwardly applied and has been successful in achieving one of its principal aims: the elimination of the freestanding, illegal casino that used to be characteristic of sin cities in certain areas of the nation.[7]

The third prong of Kennedy's war on organized crime was embodied in Section 1953 of Title 18 of the United States Code. Section 1953 prohibits the interstate transportation of wagering paraphernalia. It penalizes anyone who knowingly carries in interstate commerce materials relating to bookmaking, sports betting pools, or numbers. Materials pertaining to legalized pari-mutuel betting are exempt, as well as materials relating to legalized sports betting.

Finally, the Gambling Devices Act of 1951[8] was amended in 1962 in order to clarify its terms and toughen its sanctions. The 1962 act expanded the definition of "gambling devices," modified registration and filing requirements, completely prohibited the manufacture or possession of devices in the District of Columbia and other federal jurisdictions, included a forfeiture provision, and exempted devices clearly not associated with gambling.

7. Commission on the Review of the National Policy toward Gambling, *Gambling in America*, p. 12.

8. 18 U.S.C. § 1171.

The Organized Crime Control Act of 1970

After enactment of the Kennedy anti-gambling statutes, Congress acted twice more in the 1960s, first penalizing bribery in sporting events and then restricting bank participation in the finances of state-conducted lotteries. With the arrival of the Nixon administration, a major comprehensive effort was initiated to constrict the remaining areas of organized crime's involvement in gambling activity. One result was the enactment of the Organized Crime Control Act of 1970, which devoted one of its titles solely to the issue of gambling.

Title VIII of the 1970 act contained two substantive provisions. One section prohibits illegal gambling businesses with proceeds over a certain volume.[9] The other section forbids the obstruction of state law enforcement with the intent to facilitate an illegal gambling business.[10] These provisions were designed to reach conduct previously thought to be outside federal criminal jurisdiction, particularly where local officials were corrupt.

Federal jurisdiction in these provisions rests upon a congressional finding that gambling businesses over a certain size have an effect upon interstate commerce. This basis for federal intervention has been held constitutional by numerous federal courts. The application of both sections, however, is contingent upon the illegality of the gambling enterprise in the state jurisdiction, as they make possible prosecution only of that conduct that is a "violation of the law of a state or political subdivision in which it is conducted."

9. 18 U.S.C. § 1955.

10. 18 U.S.C. § 1511.

The act also penalized gambling activity in its provisions on racketeer-influenced and corrupt organizations.[11] These provisions prohibit the operation of "enterprises" in interstate commerce by a "pattern of racketeering activity." Gambling is included as such an activity, and the minimum showing for the existence of a pattern is two racketeering acts occurring within 10 years of each other. These provisions were designed, among other purposes, to curtail the infiltration of organized crime into legitimate business financed by syndicated gambling. The title provides for civil remedies—injunctions and treble damages actions—in the event of a violation. The provisions have withstood numerous constitutional challenges. Title VIII is one of the most sophisticated legal tools in existence with which to combat equally sophisticated syndicated gambling and organized crime.

Miscellaneous gambling-related provisions

As a result of the Kefauver Committee hearings, Congress enacted special wagering excise and occupational tax legislation in 1951. This legislation imposed a 10 percent tax on wagers placed on sporting events, betting pools, and lotteries conducted for profit. The law required disclosure for operators, including lists of employees, gross amounts of wagers, and the purchase of occupational tax stamps. The Supreme Court held that the excise taxes were not unlawful as a penalty in *United States* v. *Kahriger*.[12] Nevertheless, in 1968 the Supreme Court sharply curtailed the effect of these tax statutes on illegal gambling by limiting their application on Fifth Amendment grounds.[13] Congress sought to alleviate the constitutional problem by removing disclosure requirements in amendments passed in 1968.

In late 1974 Congress also passed new legislation overhauling the wagering tax laws.[14] The excise tax was lowered from 10 to 2 percent, the occupational tax was increased from $50 to $500, and the disclosure of information, except for enforcement of federal tax laws, was forbidden. The Tax Reform Act of 1976, as well, contained two provisions affecting gambling.[15] It required a 20 percent withholding of winnings over a certain amount and expanded the exemption from the wagering excise tax for state-operated lotteries.

Although Congress hoped by these tax measures to raise revenue and check the practice of not reporting gambling income, it in fact enhanced the competitive advantage of illegal games, because they require no reporting or administrative duties. Accordingly, the wagering tax legislation has received sharp criticism over the years for interfering with state policies toward gambling in light of state-operated lotteries, off-track betting, and the decriminalization of other forms of gambling. It has also been criticized for allowing organized crime to tighten its hold on gambling dollars as legal gambling becomes too expensive in relation to illegal games.[16]

11. 18 U.S.C. § 1961 et seq.

12. 345 U.S. 22 (1953).

13. *Marchetti* v. *United States*, 359 U.S. 39 (1968); *Grosso* v. *United States*, 390 U.S. 62 (1968).

14. Act of 29 Oct. 1974, Pub. L. No. 93-499, §3,88 Stat. 1549.

15. Pub. L. No. 94-55, 90 Stat. 1520.

16. Commission on the Review of the National Policy toward Gambling, *Gambling in America*, pp. 17-18.

In 1978 Congress passed the Interstate Horseracing Act[17]—a compromise between the horse-racing industry's desire to ban legalized interstate parimutuel off-track betting and the states' interest in obtaining additional revenues.[18] The act permits such wagering only where prior consent of the interested parties has been obtained.

The development of federal law on gambling has thus balanced a mixture of criminal, civil, and tax policies with those of the various state jurisdictions. Success or failure has depended largely on the form of gambling regulated and the policies of the states toward that form of gambling. It has been successful in many instances in regulating a particular aspect of gambling, but in others it has been woefully inefficient in achieving its goals.

In our federal system the power to determine gambling policies has remained essentially with the states since colonial times, and these policies have been as varied as the states themselves. The federal government has had to balance these policies as best it could while implementing its own policy of curtailing the impact of corruption and organized crime. An examination of state regulations serves to highlight the difficulties experienced in achieving this balance.

STATE ANTI-GAMBLING PROHIBITIONS

Since 1952, when the Kefauver Committee publicized and exposed the link between gambling and "big-time racketeering and gangsterism," many states have reviewed and rewritten their gambling laws.[19] This trend toward revision has coincided with the general penal law recodification movement and the movement toward legalization of certain so-called victimless crimes. In response to these movements, the American Bar Association Commission on Organized Crime drafted its Model Anti-Gambling Act.[20] Approved by the National Conference of Commissioners on Uniform State Laws in 1952, the act recognized "the close relationship between professional gambling and other organized crime" and declared the legislature's intent "to restrain all persons from seeking profit from gambling activities." The Model Act treats gambling as a generic offense having particular characteristics, in contrast to the specific enumeration and banning of a great number of games traditionally found in state codes. Since the drafting of the Model Act, a majority of states have enacted similar modern anti-gambling provisions designed to reach the four major forms of illegal gambling: bookmaking, lotteries and numbers, casinos, and gambling devices.

Bookmaking is by far the largest money maker of all forms of illegal gambling. Modern codes generally prohibit bookmaking in two ways: by prohibiting gambling—defined as risking something on chance—and by prohibiting professional gambling—defined as gambling for winnings and profit. Statutes modeled after New York's provisions take a more descriptive approach.[21]

17. Pub. L. No. 95-515, 92 Stat. 1811.

18. Heide Feebauer, "The Interstate Horseracing Act of 1978: An Evaluation," *Connecticut Law Review*, 12:883 (Summer 1980).

19. *The Kefauver Committee on Organized Crime* (New York: Didier, n.d.), p. 175.

20. Model Anti-Gambling Act (New York: American Bar Association, Commission on Organized Crime, 1952).

21. N.Y. Penal Law §§225.00 to 255.40.

New York also distinguishes between small- and big-time operators in its bookmaking provisions. Another approach is modeled after the Wisconsin statute, which includes an explicit description of bookmaking and prohibits commercial gambling. The remaining state codes generally prohibit bookmaking per se, defined as the "making, placing, or receipt of any bet or wager."[22] The Model Act and its progeny focus on the profit elements of bookmaking, thereby reaching the upper echelon of bookmaking operations.

The Model Act also focuses on the location element of bookmaking by prohibiting the use of premises for gambling purposes. Section 6 of the act states that gambling premises are common nuisances subject to abatement and that if the property found to be a gambling premise is required to have a license, the license shall be suspended. Many states have enacted identical provisions or made minor modifications. The remaining states merely prohibit a person from using or permitting a place to be used for gambling purposes. The provisions are broad enough to make any bookmaking headquarters illegal.

Since records are crucial to a bookmaking operation, particularly a large one, a majority of states forbid the possession of gambling records as an indirect effective way of reaching bookmaking. Most statutes define "gambling records," provide for seizing them, and set a penalty for possessing them, a penalty typically less than for the offense of bookmaking itself.

Finally, the Model Act focuses on service activities related to gambling, such as communications, that are essential to a bookmaking operation. Most states prohibit the transmission and receipt of information and the installation of communications equipment with the knowledge that it is to be used for conveying gambling information. Others only ban the transmission and receipt of information. A multifaceted approach, focusing on profit, premises, possession of records, and service activities, seemingly offers states the best method with which to combat illegal bookmaking.

With the exception of 18 states and the Distict of Columbia, all the states prohibit lotteries or other activities that include the three classic elements of a lottery: consideration, chance, and prize.[23] Although the anti-lottery statutes focus primarily on these elements, they also must consider other factors. Since a number of states have legal lotteries, which can serve as the basis for illegal lotteries in a neighboring state, many states ban foreign lotteries. In addition, since lotteries have complex command structures, several states impose penalties on the basis of degree of culpability.

Several states prohibit advertising a lottery scheme, whether expressly or indirectly under the heading of advancing or promoting gambling. Most states also prohibit the use of premises for conducting illegal lotteries as well as the possession of lottery tickets and numbers slips, as they do with bookmaking records. Since "layoff"—the rebetting of wagers to even out the amount bet on each side of a contest—is an important element in lottery and numbers operations, most states prohibit the conveyance of gambling information, much the same as with bookmaking.

In the mid-1970s the decriminalization of lotteries in more than one-fourth

22. Wis. Stat. §§945.01 to 945.12.

23. The classic elements are noted in *FCC* v. *American Broadcasting Co.*, 347 U.S. 284, 190 (1954).

of the states brought many states into open conflict with federal law. In 1974 the Department of Justice threatened to prosecute certain states for violations of federal law. The impending prosecution forced congressional action and, in 1975, Congress passed legislation exempting state-operated lotteries from federal law under certain conditions.

The exemption was limited to permitting transportation and mailing, within the particular state, of newspapers containing lottery promotional information, permitting broadcasting of promotional information within that state, and permitting state-run lotteries to obtain material from out-of-state sources.

With the exception of Nevada and New Jersey, all states prohibit casino gambling as such. The codes take two general approaches to banning casinos. The statutes similar to the Model Act focus on the profit element of casino operation, as does the New York line of statutes. The Wisconsin-type statutes focus on the gambling-premises aspect of casino gambling and ban sharing in the earning of such premises.

The last major form of illegal gambling, gambling devices, is generally defined in the codes to include all slot machines, similar equipment used to gamble, and their parts. Many states prohibit the use or possession of gambling devices aimed primarily at slot machines. Many statutes also forbid the manufacture, sale, or transportation of gambling devices. A number of states provide for the seizure and forfeiture of gambling devices on the theory that such provisions hamper the renewal of gambling operations that have been raided and increase gamblers' expenses.

Thus, despite similarities in approaches to anti-gambling provisions, the 50 states in reality take 50 different approaches to gambling. Depending upon a particular state's perceptions of and experience with gambling in the past, a variety of gambling schemes are defined and either permitted or banned by the codes. To the extent that the states follow the Model Act, the prohibitions reflect some degree of uniformity.

LEGAL GAMBLING—STATE REGULATION

As government expenditures rapidly overtook available revenue during the 1960s and 1970s, states searched for new revenue-raising methods.[24] Once again lotteries were proposed as one method of obtaining revenue for public works without the necessity of tax increases.

New Hampshire was the first modern state to adopt the lottery as a method of raising public revenue. In 1963 it established a state-operated sweepstakes. By 1974, 13 states had established lotteries. As of 1983, 18 states, as well as the District of Columbia, were operating a lottery. As deficits have increased, more states have considered implementing a lottery.

New Hampshire's lottery began as a sweepstakes and served as a model for other states to follow. The profits of the sweepstakes were earmarked to benefit public education. A regulatory commission was formed to run the lottery, maintaining strict control in an effort to protect the public. In 1971 New Hampshire eliminated all state taxes on winnings.

New York opened its lottery in 1967, and most of the other northern states followed suit in rapid succession. New

24. G. Robert Blakey, "State Conducted Lotteries: History, Problems, and Promises," *Journal of Social Issues,* 35:62 (1979).

York's regulatory scheme attempted to avoid criminal infiltration by permitting only 12 drawings per year, fixing ticket prices, and limiting sales outlets to banks, telegraph companies, hotels, and offices. These agents could not sell tickets to minors, nor were the tickets negotiable. New Jersey, on the other hand, revolutionized the lottery business in 1973 when it instituted weekly drawings and lowered prices to $.50 in an attempt to reach the largest market. As a result, the New Jersey lottery out-grossed the New York lottery 3 to 1 in its first year of operation.

Pennsylvania's lottery, initiated in 1971, promised property tax relief for the elderly and subsidized free local transit to the elderly from its net proceeds. The other states that legalized lotteries also advertised that lottery proceeds were to be used to finance specific public endeavors, generally public education.

Proceeds from the new lotteries, in many cases, actually exceeded estimates in the first years of operation. But as the novelty of the lotteries declined, proceeds too declined dramatically. States then had to devise new schemes and gimmicks to promote the lotteries. Thousands of dollars were spent on advertising and promotions.

By the mid-1970s, state-run lotteries seemingly were in severe trouble. Beginning in 1981, however, the lottery business experienced a sharp turnaround, when bets in the 15 operating lotteries rose to a record level of $3.6 billion. Lottery receipts were up 70 percent in New York and 50 percent in Illinois over the previous year. The Arizona lottery, begun in June of 1981, collected more than $75 million in its first six months of operation. In 1982, the Public Gaming Research Institute estimated that Americans bet $3.8 billion in state lotteries.[25]

Thus it appears that lotteries are a permanent feature of the way in which states obtain public revenue. Nevertheless, the lotteries have presented problems as well as revenue for the states. In a nutshell, the lottery's revenues have often been drawn from the wrong sources in an uneconomical fashion and not spent for promised purposes.[26]

Prior to 1950, casino gambling was available only in Nevada and primarily in two cities, Reno and Las Vegas. But in June 1977, New Jersey authorized casino gambling operations in Atlantic City with the passage of the New Jersey Casino Control Act.[27] The state's first casino opened its doors on 26 May 1978. New Jersey seized upon legal casinos for what it hoped would be a unique method for the revitalization and urban development of run-down Atlantic City and its coast area. Saying that it would maintain public confidence in the honesty of casino gambling and prevent the infiltration by organized crime that had characterized the Nevada experience, New Jersey established a regulatory structure based upon that experience, but with allegedly much tighter controls.

Unfortunately, the early experience with the regulatory scheme has been mixed. Challenges to licensees of relations to organized crime or corruption have been made by the attorney general in the application proceedings of Resorts International, Bally Manufacturing Corporation, Caesar's World, Incorporated,

25. *New York Times*, 29 Dec. 1981.

26. Blakey, "State Conducted Lotteries," pp. 71-85.

27. Pub. L. No. 1977, c. 110, approved 2 June 1977.

and Playboy. The objections of the attorney general were overridden in the Resorts proceedings by the newly formed Casino Control Commission. After allegations surfaced involving possible payoffs to a member of the commission, the commission was reorganized by the governor. The duly reformed commission granted licenses to Bally and Caesar's, but only on the condition that designated personnel be severed from the corporate organizations because of past ties to organized crimes; the Playboy license was denied outright because of a previous bribery scandal.[28]

Early in 1978, too, stories began to appear in the press detailing large-scale efforts by organized crime to work its way into various related industries. Organized crime was reportedly making investments in Atlantic City real estate, bars, restaurants, motels, croupiers' schools, a jewelry store, janitorial companies, an airport, limousine companies, and laundries, as well as hotels slated to add casinos. Some of this infiltration was blamed on the lack of cooperation among New Jersey law enforcement agencies in their efforts to keep criminals out of Atlantic City. It appears, then, that the mob intends to try to tap the rich gambling resources of Atlantic City.

The possible infiltration of the unions by organized crime is, however, the most serious challenge to the state's authority to regulate the industry. Local 54 of the Hotel and Restaurant Employees International, which has about 12,000 members, is thought by law enforcement officials to be under the influence of Nicodemo Scarfo, Atlanta City's mob leader. Recently, too, the circuit court of appeals, in a 2 to 1 decision, held that the National Labor Relations Act preempts state regulation of labor relations—even in the casino industry, where it is directed to curtailing mob domination of a union.[29] The decision does not bode well for the industry.

The organized crime threat is not the only type of corruption facing New Jersey. Where buyers are willing to pay for political favors and influence in their economic interests, there will always be sellers. Political corruption and organized crime infiltration remain a real threat to New Jersey in spite of its preventive efforts.

While state-operated lotteries and casino gambling in New Jersey are the major developments in legal gaming law since 1950, other legal games exist in various states. These include bingo, raffles, pari-mutuel jai alai and horse-race wagering, and off-track betting. A more detailed study of gambling law development should examine these games.

CONCLUSION

The period from 1950 to the present has witnessed important changes in the nature and targets of gambling laws. Many games previously illegal have been made legal. In particular, states have been lured into the gambling business by promises of increased revenue without increased taxation. As with any recent phenomenon, the impact of these changes is difficult to discern before the passage

28. In the form that the Resorts International license was approved, it did not result in litigation. For the Caesar's World and Bally licenses see, respectively, *In Re Application of Boardwalk Regency Corp.*, 90 N.J. 361 (1982); *In Re Application of Bally's Park Place Inc.*, (6 Dec. 1982, Sup. Ct. of N.J.) (certification denied).

29. *Hotel and Restaurant Employees and Bartenders Int'l Local 54* v. *Danziger*, 709 F. 2d 815 (3rd Cir. 1983), *probable jurisdiction noted* 104 S. Ct. 479 (1983).

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The Casino Gaming Industry: A Study of Political Economy

By WILLIAM R. EADINGTON

ABSTRACT: This article examines the economic characteristics, the political environment, and the social effects that have prevailed around the legal casino gaming industry in Nevada in recent years. Important factors that have led to changes in the financing, ownership, and acceptability of the casino industry over the past two decades are examined, as are many of the arguments for and against the legalization of casino gambling in new jurisdictions in the United States. Some comparisons are made between the casino industry found in Nevada and the more regulated Atlantic City industry, and observations are made concerning the possible economic and regulatory framework that may prevail if and when casino gambling is legalized elsewhere in the United States.

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THE legal casino gaming industry in Nevada and Atlantic City, and indeed in virtually every location where it exists throughout the world, is characterized by two strong but conflicting forces. On one hand, casino gaming has tremendous potential to generate gambling winnings from its clientele and earn profits for casino operators. This is borne out by the rapid revenue growth and economic expansion of Nevada's casino industry throughout the 1960s and 1970s, and by the strong revenue growth of Atlantic City casinos from their opening in 1978 to the present. On the other hand, the casino gaming industry has never been accorded the status of a fully legitimate commercial activity; for various reasons, gaming has been classified to varying degrees as a pariah industry, one that poses potential significant risks to the social, political, and moral fabric of the community and society.[1] These two forces have interacted to influence the evolution and growth of the casino industry in Nevada and Atlantic City, and they are useful in explaining the process by which other jurisdictions consider and evaluate the question of legalizing casino gambling.[2]

The purpose of this article is to examine the economic characteristics and the social legitimacy aspects of the casino industry in America, and to note how these factors have changed and evolved in recent years. The first two sections describe the structure of the casino gaming industries in Nevada and Atlantic City and point out important pricing, marketing, and management strategies utilized by casino operations. The next section examines the areas of concern that arise in public policy discussions on the potential negative effects of casino gambling. These include the issues of political corruption, organized crime infiltration, compulsive gambling, the stimulation of other socially undesirable activities, such as prostitution and loansharking, and the morality of casino gambling. The final section discusses the regulatory approaches that the state of New Jersey has adopted to attempt to balance the economic and social tradeoffs, and consolidates the existing evidence on the positive and negative attributes of legalized casino gambling. It also offers some projections on the likely directions the casino industry will take for the duration of the twentieth century.

THE ECONOMICS OF CASINO GAMING

From 1931 to 1978 Nevada had a geographic monopoly on casino gaming in the United States. The industry did not really become a major tourist attraction until after World War II, but from that time until the late 1970s, it expanded at a relatively rapid and consistent rate of growth both in Las Vegas and in the northern Nevada—Reno and Lake Tahoe—markets. The major stimuli to the industry's growth were the rapidly growing population of California and other western states, the increasing real incomes of its potential customers, and a relaxation of society's moral attitudes toward the activity of gambling.

1. See, for example, Jerome H. Skolnick, *House of Cards: Legalization and Control of Casino Gambling* (Boston, MA: Little, Brown, 1978), chaps. 8-10.

2. For a discussion of the attempts at casino legalization in New Jersey and Florida in the 1970s, see John Dombrink, "Outlaw Businessmen: Organized Crime and the Legalization of Gambling" (Ph.D. diss., University of California, Berkeley, 1981).

On the constraining side, however, was the general inability of the gaming industry to raise financial capital through normal financial avenues, such as banks and insurance companies, especially prior to the 1970s. This was the result of two related factors. First, the early years of Nevada casinos after World War II, especially in Las Vegas, were characterized by the presence of organized crime figures in important industry positions, corruption scandals implicating state and local officials, and federal investigations highly critical of Nevada and its casino industry.[3] These aspects led the financial community to avoid consideration of financing expansion in the gaming industry for fear of tainting their own reputations or because they considered the industry as inherently too unstable in the sense that federal crackdowns could lead to changes in the law that could make the industry illegal in Nevada, or at least unprofitable.[4]

The second factor dealt with Nevada's own statutes concerning the gaming industry. Prior to 1969 it was virtually impossible for a publicly traded corporation to purchase and operate a casino in the state. Nevada required that all owners of a casino be licensed by the state's gaming regulators; the purpose of this statute was to prevent undesirables from holding interests in casinos through public acquistion of a company's stock. The effect was to limit severely the ability of casino operations to raise capital through equity offerings, and to exclude otherwise legitimate, publicly traded corporations from entering the Nevada gaming industry.

One result of the casino industry's high growth and profit potential in conjunction with its limited financial alternatives was to encourage less orthodox means of raising capital. Most important of these, from the early 1960s through the mid-1970s, was the Teamsters' Central States Pension Fund, which itself had been riddled with scandals over the years.[5] The association of a questionably reputable industry with a union considered by many to be corrupt did not enhance the image of either entity, either in the perspective of the general public or in the opinion of the financial community.

Because casino gaming in Nevada was highly profitable in the 1960s and early 1970s, it could finance some expansion out of retained earnings. As a result of access to some sources of funds, such as Teamsters' pension funds, it could pursue some projects through debt financing. However, it seems clear that the amount of expansion that took place in the gaming industry in Nevada prior to the early 1970s was considerably less than it would have been had the industry's access to financial capital not been affected by its reputation.

Thus the performance of gaming revenues in Nevada was affected more by supply factors than market demand, at least into the 1970s. This is reflected in the annual growth rate of Nevada gaming revenues, adjusted for inflation, as compared to the annual growth rate of

3. See, for example, Estes Kefauver, *Crime in America* (Garden City, NY: Doubleday, 1951); Ed Reid and Ovid Demaris, *The Green Felt Jungle* (New York: Trident Press, 1963); Wallace Turner, *Gambler's Money* (Boston, MA: Houghton Mifflin, 1965); Skolnick, *House of Cards*.

4. William R. Eadington, "The Evolution of Corporate Gambling in Nevada," *Nevada Review of Business and Economics* (Spring 1982).

5. Steven Brill, *The Teamsters* (New York: Simon & Schuster, 1978).

real gross national product (GNP). From 1960 through 1979 the growth rate of real gross gaming revenues exceeded that of real GNP every year, averaging 8.0 percent per year as compared to real GNP average growth of 3.7 percent.[6]

Another aspect of the gaming industry that heightened the importance of financing for the industry, especially in the 1960s, was the prevalence of economies of large-scale production. Large casinos in Nevada have consistently outperformed middle-sized and small casinos in their geographic markets in terms of net operating income as a percentage of total revenues.[7] This reflects the ability of larger casino operations to offer a broader array of gambling activities, as well as a greater variety of nongaming services—such as food, entertainment, shopping, and other facilities—to attract a larger and more productive clientele than smaller operations. This particular characteristic implied that access to financing was critical for potential new casinos in Nevada or for operations that wanted to expand if they wanted to remain competitive.

During the 1970s the gaming industry's access to financial capital improved for a number of reasons. Foremost was the passage of the 1969 Corporate Gaming Act in Nevada, which allowed publicly traded corporations to enter the gaming industry. As a number of corporations—such as Hilton, MGM, Hyatt, and Holiday Inns—with reputations established in other fields entered the Nevada gaming industry, the industry's perceived legitimacy improved. Furthermore, the high level of reported profitability by the casino divisions of publicly traded corporations also contributed to the willingness of financial institutions to change their attitudes toward the casino industry as a potential borrower.[8]

In addition to corporate gaming, there were a number of other factors that led to some improvement of the gaming industry's image from the mid-1960s to the late 1970s. From 1967 to 1970, Howard Hughes purchased six Las Vegas casino properties and one Reno casino; in doing so, he bought out a number of owners with problematic backgrounds and contributed the prestige of his name to the Nevada gaming industry.[9] In 1976 *Gambling in America,* the final report of the Commission on the Review of the National Policy toward Gambling, was released and was quite laudatory toward the Nevada casino industry, in terms of its regulatory structure, nature of operations, and removal of organized crime elements from the industry.[10] Finally, the voters of New Jersey authorized the legalization of casinos in Atlantic City in a 1976 referendum, with the first casino opening its doors in May 1978. All of these factors signaled to the financial community, as well as the general

6. Between 1979 and 1982, Nevada's real gross gaming revenues actually declined at an average annualized rate of 2.3 percent as compared to a real gross national product that was virtually the same in 1982 as it was in 1979. This slowing was attributable to the recessions of 1980 and 1981-82, as well as to the inroads Atlantic City had made into Las Vegas's eastern U.S. customer base.

7. For performance data on groups of Nevada casinos, see the *Nevada Gaming Abstract* (Carson City, NV: Gaming Control Board, published annually).

8. William R. Eadington, "Economic Trends in Nevada's Casino Gaming Industry," in *National Tax Association Proceedings* (Columbus, OH: National Tax Association-Tax Institute of America, 1978).

9. Donald Bartlett and James Steele, *Empire: The Life, Legend, and Madness of Howard Hughes* (New York: Norton, 1979), pp. 276-339.

10. *Gambling in America* (Washington, DC: Government Printing Office, 1976).

public, that the gaming industry was entering a corporate era, where it would become more like other businesses and where its unsavory past would become less important than its future potential.

When casinos were legalized for Atlantic City, the future of the industry was strongly influenced by the laws and regulations adopted by New Jersey to control and govern casinos. The statutory requirements for potential casino licensees effectively eliminated the small and middle-sized casino sector that can be found in Nevada. For example, in order for a casino to be considered for a license in Atlantic City, it must offer a minimum of 500 hotel rooms, 30,000 square feet of casino space, and 25,000 square feet of convention space.[11]

The effect of these and other restrictions has been to limit considerably the entry of firms into the Atlantic City gaming industry to only those who can make the required significant financial investments. Thus at the end of 1983 there were only nine casino-hotel complexes in operation in Atlantic City, compared to 137 large licensed Nevada casinos and another 106 small licensed casinos in 1982.[12]

However, the most interesting characteristic of the Atlantic City casino industry over the first five years of its operation was the volume of gaming revenues generated by the nine casino operations. By 1983 gaming revenues for Atlantic City had almost surpassed those of Las Vegas for the same period, and they amounted to about two-thirds of the total for the entire state of Nevada.

11. Casino Control Act, Pub. L. No. 1977, c. 110, art. 6.

12. *Nevada Gaming Abstract* (1982). A "large" casino in Nevada has gross gaming winnings in excess of $10 million per year whereas "small" Nevada casinos gross between $1 million and $10 million per year. The smallest Atlantic City casino grossed $88.9 million in 1982, more than all but a handful of Nevada casinos that year.

OPERATIONS CHARACTERISTIC OF CASINO GAMING FACILITIES

Casinos in Nevada and in Atlantic City follow a number of interesting principles in their marketing and management strategies. Foremost in the view of management is the understanding that the major revenue source for the entire operation is the casino. For example, in 1982 casino revenues made up 61 percent of all revenues for licensed Nevada gaming operations and 78 percent of all revenues for Atlantic City casino-hotel operations.[13] The price customers pay for the privilege of participating in casino games is the expected loss per dollar wagered; it is extracted by way of the casino's "percentage," or statistical advantage, on the various games and devices.

In order for casino management to enhance casino revenues, it must concentrate on increasing the total volume of wagers made at the various available gambling activities. To do this, a number of policies have become common practice over the years. Probably the most important of these policies is extending complimentary goods and services to gambling patrons. Complimentaries range from free cocktails for slot players and small-stakes table players to room, food, and beverage privileges, and even air fare without charge for the best of the high rollers.[14]

Complimentaries create the feeling among casino patrons that they are getting something for nothing; the player

13. Ibid.; "Report on Casino Revenues" (Trenton: New Jersey Casino Control Commission, released monthly).

14. Bill Friedman, *Casino Management* (Secaucus, NJ: Lyle Stuart, 1982), chap. 8.

often does not link actual gambling performance in the casino with the value of the services he or she receives from the casino. In 1982 complimentaries in Nevada had a retail value of $290 million, about 11 percent of gross gaming revenues; and in Atlantic City, complimentaries were valued at $189 million, nearly 13 percent of gaming revenues. From the casino management's perspective, complimentaries are like any other promotional expense; the casino should never incur greater costs in providing complimentaries than it expects to win from the patron, as measured by average wager size, frequency of wagers, and the casino's percentage in the game.

Another important marketing concept used by casinos is to provide the potential patron with a large number of reasons, or "excuses," to visit the casinos. These range from offering a broad array of entertainment and sporting events to providing inexpensive junket packages—for example, for about $20 per person, round-trip bus fare from Philadelphia to Atlantic City, plus a meal, a lounge show, free cocktails, and $5 in quarters—to staging parties, complete with celebrities, for high rollers.

Themes behind media advertising for casinos often center on the idea of escaping everyday problems into a pleasurable and hedonistic environment that the casinos offer, or they imply interludes with luck and good fortune.[15] It seems that, generally, indirect appeals to the potential patron are more effective stimuli than direct appeals to someone's desire to gamble. This could be due to the fact that gambling still carries some social stigma, and for many people a visit to Las Vegas or Atlantic City solely for the purpose of gambling cannot be justified.

The extension of credit to gambling patrons can also be viewed as a means to increase the volume of play and, consequently, the gaming revenues of casino operations. Many casinos make it relatively easy for patrons to receive credit while in the casino through the signing of markers, which are legally collectible debts to the casino.

From an operations perspective, the granting of credit can considerably increase the total volume of gambling that takes place by certain patrons, but it also increases the exposure of the casino to uncollectible debt.[16] From a regulatory viewpoint, the granting of credit creates a significant control problem, especially when casinos are allowed to negotiate settlements for partial value on a gambler's outstanding markers. Also, from a social viewpoint, the granting of casino credit can create situations in which players are extended credit well in excess of their ability to repay. In such cases casinos run the dual risk of not receiving repayment on outstanding credit as well as being publicly criticized for allowing players to get into debt well over their heads. When these cases arise, it is often due to the relative ease with

15. See, for example, Bill Weinberger, Jr., "Marketing for the Premium Gaming Customer—Caesars Palace Experience," in *Travel and Tourism Research Association Proceedings* (Salt Lake City: Bureau of Business Research, University of Utah, 1981); Harrie F. Ness and Jerry V. Diller, "Motivation for Gambling as Revealed by the Legitimate Gambling Industry," *Psychological Reports* (Aug. 1969); Howard J. Klein, "Wynn: Why I Hired Sinatra," *Gaming Business Magazine,* Oct. 1983.

16. Uncollectible gaming debts amounted to approximately $116 million in Nevada in fiscal 1982, about 4.5 percent of the gross gaming revenues, and $25.4 million in Atlantic City, 1.7 percent of the total gaming revenues. In Nevada all bad debts are deductible against gross gaming revenues, whereas in Atlantic City bad debts are deductible only up to 4 percent of the total casino win.

which a patron can receive credit from a casino or a group of casinos in comparison to the scrutiny the same individual might receive when applying for credit from a financial institution.

CASINO GAMBLING AND SOCIAL CONCERNS

In spite of apparently strong and, with the exceptions of Nevada and Atlantic City, unfilled consumer demand for legal casino gambling, states and other jurisdictions in the United States have been reluctant to legalize casino gambling under any regulatory structure for a number of reasons.

Paramount among these concerns is the perceived link between casino gambling, legal or otherwise, and organized crime infiltration and control. Related to this is the feeling that the presence of legal casino gambling, with all its trappings of hedonism, complimentaries from casino personnel, and historic links to prostitution and loansharking, is more liable to lead to political corruption than virtually any other industry. Similarly, it is felt that the presence of casino gaming in a particular geographic location can generate significant negative social effects on the immediate and adjacent communities in the form of increased crime rates, greater transient population, increased presence of prostitution, and a general change in the social tone and tenor of the community. Finally, casino gambling apparently increases the incidence of pathological gambling and, as a result, creates significant financial and personal hardships not only for the affected gamblers but for their families, friends, and employers as well.[17] Each of these issues warrants further examination.

Corruption and organized crime

The relationship between casino gambling and organized crime can be traced back to the 1930s in various locations throughout the United States. The Nevada connection, however, was not established until World War II.[18] The infiltration of Nevada casino gaming operations by organized crime figures and others of questionable repute was highly publicized and documented in the Kefauver hearings in the early 1950s and again in the McClellan hearings in the early 1960s. The substantial volume of loans made to Las Vegas casinos by the Teamsters' pension funds by the 1960s, along with a number of ongoing federal investigations into the role of organized crime in Nevada gaming, created a belief among law enforcement and Department of Justice officials that many casino operations were plagued by problems of hidden ownership interests and by significant skimming of casino profits for the purpose of tax evasion. This belief was probably strongest in the 1960s.

Various events and trends diminished the perceived role of illegitimate influences in Nevada gaming in the 1970s. Besides the roles played by corporate gaming and Howard Hughes, the report *Gambling in America* declared that Nevada had resolved its difficulties with organized crime between 1960 and 1975. Among its findings were the statements,

> Although organized crime once was a significant factor in some Nevada casinos, its influence has declined considerably during the past ten years. In comparison with the

17. See, for example, Gerard T. Fulcher, "The Gambling Industry's Responsibilities toward Its Casualties: Compulsive Gamblers," *Gaming Business Magazine,* Apr. 1981.

18. Hank Messick, *Lansky* (New York: Putnam, 1971); Reid and Demaris, *Green Felt Jungle;* Skolnick, *House of Cards.*

situation 15 years ago, the presence of organized crime in Nevada today is negligible . . . stringent accounting regulations and sound internal control mechanisms effectively prevent most skimming of casino profits by owners . . . on the whole, State regulations are sufficiently stringent and enforcement is effective.[19]

Regrettably, a number of events that occurred after 1976 pointed out the inaccuracy of these statements. For example, the Stardust Casino and Hotel was involved in two major skimming scandals, in 1976 and again in 1983. Hidden owners of the Aladdin Casino were convicted in a Detroit trial in 1979, and the owners were forced eventually to sell out, but more or less on their own terms. Systematic skimming by organized crime figures took place at the Tropicana Casino in the late 1970s. Thus the pattern of hidden casino ownership, organized crime links, and casino skimming that had characterized the Nevada gaming industry's earlier history still had enough of a foothold in the early 1980s to attract serious attention from both federal and Nevada law enforcement and regulatory agencies.[20]

Over the years, the state of Nevada has developed a curious myopia concerning the presence of organized crime in the casino industry. State regulators and other public officials have often argued that problems of hidden ownership by undesirables and casino skimming of profits are legacies of the past, and that regulatory reforms, often enacted in reaction to some scandal immediately past, have solved any problems that existed. When new scandals would break, often as a result of federal investigations, Nevada officials would act appropriately shocked and call for another round of legislative reforms. It can be argued that the fundamental objective of Nevada regulatory control over gaming has been to preserve the state's autonomy over gaming control vis-à-vis the federal government in order to preserve the gaming industry's strong influence over industry profitability and the direction of regulatory policy in Nevada.[21]

However, in spite of recent problems, the connections between Nevada gaming and organized crime have diminished since the 1960s. Publicly traded corporations involved in Nevada casino operations have seldom been implicated in either skimming or hidden ownership scandals; most outside observers consider them to be perfectly legitimate and honest operations. A number of other casino operations in Nevada have never been accused of serious wrongdoing. However, there has long been a core of problem casinos, mainly in Las Vegas, which have resurfaced time and again with the same kinds of suspect circumstances: hidden ownership, systematic skimming, links to known organized crime figures, and questionable sources of financing. As long as these problem casinos remain relatively unchallenged by Nevada gaming regulation, the state and its gaming industry are likely to be perceived, at least to some extent, as being connected to organized crime.

19. Commission on the Review of the National Policy toward Gambling, *Gambling in America*, p. 78.

20. Jim Drinkhull, "State Gaming Officials Say Millions Vanished from Agent's Slots," *Wall Street Journal*, 10 Sept. 1979; Michael J. Goodman, "The Mob Moves West," *Los Angeles Times*, 20-28 Feb. 1983.

21. See Eadington, "Evolution of Corporate Gambling in Nevada"; William R. Eadington and James S. Hattori, "A Legislative History of Gambling in Nevada," *Nevada Review of Business and Economics* (Spring 1978).

The potential for political corruption emanating from a legal gaming industry has also been a concern for jurisdictions entertaining the possibility of legalizing casino gambling. It is plausible that casino gaming is more prone to influence peddling than other industries because it is predominantly a cash business where complimentary services are dispensed to a large number of the casino's clientele. Also, because of society's concerns over the potential damages that can result from casino gaming, regulatory constraints often limit the ability of casinos to earn excess profits. Public officials, through their discretionary decisions, can often favorably influence the performance of casino operations by relaxing constraints. This creates an environment in which regulators or other public officials might quite easily come under the influence of gaming operators who want favors done.

In Nevada the potential for corruption is exacerbated by the fact that the casino gaming industry is the state's dominant industry. The gaming industry therefore exerts significant political influence in the state, and the ability of regulators and policymakers to separate the state's interests from the interests of the gaming industry or of specific casinos is often limited.

The community environment

A second area of concern for jurisdictions considering casino gambling is the effect of the presence of casinos on the social and physical environments of the communities in which the casinos would exist. If casinos are legalized in an area such as Atlantic City, the volume of tourism is going to increase, perhaps substantially. This creates not only economic benefits linked to the gaming and tourism industry but also various social costs related directly or indirectly to the presence of casinos. For example, the increased tourism alone is likely to lead to an increase in robberies, burglaries, and other types of crime. Prostitution is likely to increase due to the presence of tourists as well as the general ambience of hedonism created by casino gambling. Communities might also fear that casinos would lead to a deterioration of the moral fabric of the area's residents, and that this might manifest itself in various ways.

It is possible to extrapolate from Nevada's experience to try to isolate some of the potential effects that a large-scale casino gaming industry is likely to have on a community or region. The following social indicators may not be attributable solely to the casino gaming industry, but they do point out why Nevada, and casino gaming, are considered controversial in the eyes of many other jurisdictions.

Many of the benefits that stem from casino gaming are economic, but most of the costs are social. Thus, through the 1970s, the state of Nevada experienced the fastest population growth rate in the United States. Nevada ranked sixth in the United States in per capita personal income in 1980, with the Reno metropolitan area ranking second and Las Vegas twenty-second among the 305 major metropolitan areas in the country.[22] Nevada ranked third among the states in labor force participation rates, and forty-eighth in the percentage of the population below the poverty level. Nevada also ranked sixth in the propor-

22. U.S., Department of Commerce, Bureau of the Census, *State and Metropolitan Area Data Book, 1982* (Washington, DC: Government Printing Office, 1982), apps. 1 and 2.

tion of adult residents with high school diplomas.

On the other hand, Nevada ranked first among the states in per capita crime rates, marriage rates, and divorce rates. Voter participation in the 1980 presidential election placed Nevada forty-eighth among the 50 states. In spite of its high per capita income, Nevada ranked only fortieth in the number of physicians per capita. Both Reno and Las Vegas were in the bottom 15 percentiles in the proportion of owner-occupied housing among major metropolitan areas. Nevada also ranked first in the nation in the abortion rate per 1000 women. The Las Vegas area ranked third in the country in total reported crimes per capita—behind Atlantic City and Miami—and it ranked second out of 305 areas in both violent crimes and murders per capita—behind Miami—in 1981. Reno experienced total reported crime rates about 30 percent over the national average, but its rates for violent crime and murders were close to the national norms.[23]

Clearly, some of these social indicators are partially attributable to circumstances unique to Nevada. For example, both Reno and Las Vegas have well-established quickie marriage and divorce industries, which account for a high proportion of the total marriages and divorces in the state. Furthermore, each area has a floating tourist population that probably amounts to about 20 percent of the resident population at any given time; this would lead to an upward bias in all the per capita social indicators since they are all computed as a proportion of the permanent resident population. Also, because gaming and tourism is largely a service industry requiring relatively little training and low skill levels, Nevada has always had a highly transient work force; this factor influences both the level of owner-occupied housing and the propensities of residents to participate in elections.

However, these mitigating factors do not refute the fact that there would be social costs associated with the presence of casinos in other cities like Reno and Las Vegas. Any community where casinos are a major economic, social, and political force is going to be affected by some of the negative attributes associated with casinos. Besides those listed previously, these could include higher-than-average incidences of alcoholism, drug abuse, or other problems related to the here-and-now ambience that casinos project. The community's sense of values and priorities could be influenced by the casinos' display of and emphasis on luck, wealth, and hedonism. The impression sometimes conveyed in a casino environment—that players may have anything they want as long as they can afford it—can lead to a more general, cynical belief that everything has its price. Though intangible and subtle, the social costs to a community caused by the presence of casinos are real enough in the perception of many communities to act as a significant deterrent to the efforts to legalize.

Pathological gambling

Another area of concern for jurisdictions considering the legalization of casinos is the human and social cost linked to compulsive or pathological gambling. Compulsive gambling tends to be a relatively invisible problem in

23. U.S., Department of Justice, *Crime in the United States: Uniform Crime Reports, 1981* (Washington, DC: Government Printing Office, 1982), app. 6.

Nevada and Atlantic City because most of these areas' gamblers are tourists. Thus, as problems related to compulsive gambling arise, they are more likely to show up in the gambler's place of residence than in the casino city. To some extent this explains why Nevada has been so ambivalent over the years to the plight, and even to the existence, of the compulsive gambler.

Furthermore, as long as casino gambling exists in only a few geographic areas in the country, compulsive gamblers can to some extent isolate themselves from the temptation just by avoiding cities with casinos. If, on the other hand, casinos existed throughout the country, this option would be foreclosed.

With regard to policy questions dealing with compulsive gambling and the legalization of casinos, there are two critical issues. First, it is important to know how extensive compulsive gambling is. At present the understanding of both the incidence of compulsive gambling and the degree of severity it manifests in those so afflicted is insufficient for the creation of reasonable public policies on the problem. The second issue deals with the potential for curing the pathological gambler. Here again the evidence is quite sketchy.[24]

Regardless of the incidence and curability of compulsive gambling, one finds considerable ambiguity in the attitudes of the general public toward this issue. Clearly, most gamblers are not pathological. Restrictions that are made law for the purpose of protecting the weak minority of compulsive gamblers will at the same time limit the freedom of choice of the majority.

There is also a tendency to perceive compulsive gambling as a human weakness rather than as a disease, and if a person is foolish enough to fritter away his or her wealth through gambling, then why should society intervene to prevent him or her from doing so? Because the participation in gambling activities is clearly a matter of personal choice, restrictions on gambling for the purpose of protecting some individuals from themselves can create a fundamental conflict between a philosophy that government's role is to attempt to maximize individual choice and freedom and a more paternalistic belief that government should not allow its citizens to become victims of their own weaknesses.[25]

THE FUTURE OF LEGALIZED CASINO GAMBLING IN AMERICA

When the New Jersey legislature passed the Casino Control Act in 1977, establishing the regulatory mechanism governing the Atlantic City gaming industry, they had the advantage of being able to learn from Nevada's half century of experience with a legal casino industry. The act established stringent casino licensing requirements in the hope of minimizing the potential for organized crime infiltration into the industry. It dictated numerous operational practices for casino operations, such as policies dealing with entertainment, floor space utilization, the casino's issuance of complimentaries, and the tone of

24. See, for example, *The Gambling Papers: Proceedings of the Fifth National Conference on Gambling and Risk Taking* (Reno: University of Nevada, Bureau of Business and Economic Research, 1982).

25. William R. Eadington, "Regulatory Objectives and the Expansion of Casino Gambling," *Nevada Review of Business and Economics* (Fall 1982).

casino advertising. The purpose of these restrictions was to keep the Atlantic City casino industry as an integral element of the city's hospitality industry, "rather than as the industry unto themselves that they have become in other jurisdictions."[26]

One of the major reasons given for the legalization of casinos in Atlantic City was the revitalization and urban renewal of Atlantic City, which had experienced significant deterioration and decay over the past three decades.[27] Interestingly, this is probably the major unfulfilled promise of the act. The Atlantic City casinos have had significant impact on employment in the Atlantic County area and have increased tax revenues for the county and the state, but, through 1983, surprisingly few benefits have filtered back to Atlantic City in the form of urban revitalization.

Most of the 31,000 casino employees live outside of Atlantic City and commute to work. Most of the visitors to Atlantic City remain in the casinos or along the boardwalk; they generate very little spending for non-casino-related businesses in Atlantic City outside of that area. Many of the hard-core unemployed citizens who had been in Atlantic City prior to the casinos have at best only been able to work their way into low-skilled jobs in the industry; they just do not have the necessary work and social skills to compete successfully with other job seekers in the gaming industry.[28]

In spite of the differences between Nevada and Atlantic City in casino regulation and purpose for existence, there is one striking similarity. Both industries are set up in such a fashion as to react to excess demand and excess profitability by encouraging future growth and expansion of the industry. This is in sharp contrast to legal casino industries in England and other European countries, which restrict, as a matter of policy, the size and therefore the economic importance of the casino industry. Since many of the social concerns related to the legalization of casino gambling in new jurisdictions are related to the absolute size of the proposed industry, it is likely that, as new jurisdictions consider legalizing casino gaming, they will consider the restricted-size approach, rather than follow the Nevada or New Jersey models.

However, the major arguments in support of the legalization of casinos in a particular jurisdiction are usually linked to the potential economic benefits to be derived, and these benefits are greater if the industry is larger. Atlantic City has demonstrated that some potential benefits are more elusive than others; nonetheless, those that can be accomplished are likely to be closely related to the aggregate size of the casino gaming industry. Thus, if a jurisdiction has decided to legalize casinos, the issue of how large the industry should be points out the trade-off of choosing between a large casino industry with significant economic benefits along with substantial costs, and a smaller, constrained casino industry that would create limited

26. State of New Jersey, Casino Control Act, Pub. L. No. 1977 c. 110, art. 1.

27. Charles Stansfield, "Atlantic City and the Resort Cycle: Background to the Legalization of Gambling," *Annals of Tourism Research* (Apr.-June 1978).

28. For a detailed discussion of the effects of casino development on Atlantic City employment, housing, and other matters, see George Sternlieb and James W. Hughes, *The Atlantic City Gamble* (Cambridge, MA: Harvard University Press, 1983).

social costs along with relatively minor economic benefits.

It is conceivable that in the near future some jurisdictions in the United States are going to want to legalize casinos but also to restrict the social impacts associated with the presence of casinos. In order to do so, it is likely that such jurisdictions will have to constrain artificially the tendency for the casino industry to expand in response to excess profitability. This could be done by limiting the opportunities of a casino to earn excess profits through, for example, restrictions on credit policy or on betting limits, or with strict limitations on the ability of a casino to market its activities.

Such limitation is essentially the approach taken by England, where the stated purpose of national policy toward casino gambling is to allow the operation of casinos only to the extent of accommodating the inherent demand for casino activity among the populace, but not to allow casinos to generate new demand through their marketing efforts.[29] Such an approach could prevent a casino industry from becoming a major economic, social, and political force in the jurisdiction where it is located, and thus, it is hoped, avoid many of the negative side effects that have been associated with casinos elsewhere over the years.

29. Royal Commission on Gambling, *Final Report* (London: Her Majesty's Stationery Office, 1978), pp. 286-314.

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Police Regulation of Illegal Gambling: Frustrations of Symbolic Enforcement

By PETER REUTER

ABSTRACT: This article examines problems presented to the police by their gambling enforcement responsibilities during the four decades following Prohibition's repeal. In this period repeated gambling corruption scandals put the police in disrepute. These scandals accurately reflected the underlying corruption of an effort that was essentially symbolic and not supported by a significant element of the otherwise law-abiding population. The fundamental source of the corruption was the vulnerability of all illegal gambling organizations to police harassment. This corruption also contributed to organized crime's dominance in illegal gambling. The federal government mounted a major campaign against illegal gambling between 1962 and 1972. That effort failed to reduce the availability of gambling services but may have helped reduce the dominance of organized crime by depriving local police of their ability to franchise monopolies. Together with changing attitudes toward gambling, the entry of the state into many gambling markets, and changes in the nature of the games themselves, the federal enforcement effort helped end the era in which gambling enforcement was a major responsibility for the police.

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THE moralistic legislatures of this nation have given American police a singularly heavy burden to regulate large-scale markets for illegal goods and services. From the prostitution that was so prominent a feature of American cities at the turn of the century to the markets for marijuana and cocaine that have become so pervasive since the 1970s, the police of this nation have always been required to devote a substantial effort to making it more difficult for large numbers of otherwise law-abiding citizens to buy certain goods and services.

Mass illegal markets present two generic problems to police. The first is that a significant portion of the population that otherwise cooperates with law enforcement disapproves of this police activity. The second is that there is rarely a complainant to initiate police action. Most police law enforcement is initiated by someone who is adversely affected by the crime and is in a position to bring an informative complaint, but illegal markets do not generate informative complainants. Rigorous enforcement is made unpopular by the first factor and difficult by the second.

Gambling was the most important illegal market for the police during the period from the repeal of Prohibition in 1933 to about 1970.[1] During that time, no responsibility posed a greater threat to the autonomy of police executives. Though gambling never consumed a large share of police resources, the constant threat of a gambling corruption scandal forced police managers to create complex monitoring systems to assure that their departments could present a credible picture of aggressive and honest gambling enforcement. Given that the goals of enforcement were never articulated in a positive sense, the result was that the effort had a largely ritualistic quality to it, and the corruption problem was, if anything, exacerbated.

The era of intense gambling enforcement has passed. Not only have the numbers of gambling arrests declined,[2] but the prominence assigned to gambling in popular and political ratings of police departments has sharply diminished. It is now simply a minor duty of the police, accomplished with few resources and posing little threat of scandal.

This article reviews the problems that gambling enforcement posed to police departments during the period from 1933 to about 1970. It draws heavily on the experience of the New York Police Department, simply because more and better information is available for that department than for any other.[3] In describing the formalism and emptiness of local gambling enforcement, the article deals with familiar matters and reaches familiar conclusions.

More novel perhaps is the review here of federal intervention in gambling enforcement. Over a ten-year period, 1962-72, asserting the corruption of local efforts and the importance of gambling to organized crime, the Department of Justice made illegal gam-

1. Dating the end of the period is arbitrary. No single event ended it. There is justification for designating 1970 the date of the latest major New York gambling corruption scandal and the year in which non-heroin drug arrests began their great increase.

2. In 1960 the *Uniform Crime Reports* estimated 145,000 gambling arrests nationwide. By 1980 that figure had declined to 38,000. Estimates prior to 1960 are unreliable.

3. A major source on New York for the second half of the period is Alan Kornblum, *The Moral Hazards* (Lexington, MA: D. C. Heath, 1976).

bling the target of an expanded federal involvement in criminal law enforcement. The failure of this effort has its origins in some of the same factors that limited the effectiveness of local efforts: the ambivalence of many toward the impropriety of illegal gambling per se and the inability of agencies to show that enforcement had any significant effect on the targeted activity.

The failure of the federal effort also raised the issue of the true relationship between illegal gambling and organized crime. Some arguments are presented here to explain why that relationship may have changed over time, particularly as the result of alterations in the structure of politics and law enforcement.

THE GAMES AND THEIR STRUCTURE

Throughout the period we are considering, there was relatively little change in the major types of gambling offered illegally. Numbers, bookmaking, and casino games were all important, though illegal casinos declined after 1960.[4]

The common characteristics of all the games were that they required a fixed location and schedule. The bettor had to be able to come to a particular place at a particular time to place his or her bet. This made the gambling organization vulnerable to police intervention at precisely that point. The numbers collector could be easily identified by the flow of traffic at mid-morning. A large number of persons entering a retail store between 10:00 and 11:00 a.m. and emerging without any visible purchase would immediately identify the store as a numbers outlet. The casino was, of course, even more obvious because it often required relatively elaborate facilities and generated a great deal of traffic at night. Bookmakers were vulnerable also at their own premises, which were often subject to elaborate protection for just that reason.[5]

GAMBLING CORRUPTION

Gambling operators, then, were strongly motivated to make payments to ensure that the police did not interrupt the routine operation of their businesses. The numbers banker, with collectors possibly dispersed throughout the city, needed protection from very large numbers of police, since the patrol cop in the neighborhood of any of his collectors posed a threat; the officer might seize not only the collector but also the pick-up man that the banker dispatched to receive the day's betting slips. The individual casino did not need as wide a net of protection but certainly required the negation of all the officers in the precinct, since the rotation of officers assured that many of them would, at some time in their precinct assignment, become aware of its operation.

Thus the peculiar threat of illegal gambling to police integrity was its need for systematic and large-scale protection. A thief caught in the act may try to buy off the arresting officer. If the officer succumbs to the offer, that is the end of the matter; he does not need to involve any other police officer. That was not the case with respect to gambling. The corruption was effective only

4. A more detailed description of the operation and structure of numbers and bookmaking is contained in Peter Reuter, *Disorganized Crime: The Economics of the Visible Hand* (Cambridge, MA: MIT Press, 1983), chaps. 2 and 3.

5. The film *The Sting* provides a good depiction of the kinds of props that went into a bookmaker's parlor.

if all the officers in a position to enforce the law against the particular gambling business agreed to cooperate. A single zealous officer could put all his corrupt colleagues at risk. Thus there was a strong continued interest in testing the willingness of new officers to at least tolerate the ongoing corruption of the rest of the group.

We have a number of accounts of the working of this kind of systematic corruption. Whyte's classic study of organized crime in a Boston neighborhood, "Cornerville," offers perhaps the most detailed description of the organization of police protection of gambling operations.[6] The policeman who was unwilling to go along with the existing corruption might find himself transferred to patrol duty in the cemetery or given punitive overtime. Twenty-five years later the Knapp Commission,[7] investigating corruption in the New York Police Department, found similar protection of gambling throughout the city. In one instance, 24 out of 25 plainclothesmen—essentially specialized vice control officers—in an individual precinct were indicted for accepting payments from local gamblers.

Perhaps the account that best conveys the routinized character of gambling corruption is that of Rubinstein, dealing with the Philadelphia Police Department at the end of the 1960s. He described in detail the initiation process that a rookie went through before being included in the regular system of payoffs, a process that might take six months. But he also underscored the petty nature of the payments.

> One officer in a district which had a reputation for being one of the most "active" in the city estimated that he earned about ninety dollars a month in regular payoffs.... It can safely be assumed that his sergeant and lieutenant were earning at least double or triple his take.[8]

These were hardly significant sums.

The other disturbing feature of gambling corruption was that it reached beyond the police themselves. Gambling organizations were closely allied to political parties. Gamblers assured themselves of police protection by providing assistance to political figures; a zealous senior police officer might find himself called by a city council member, who had been supported financially in elections by the same gambling enterprise that the officer was currently harassing. This feature seems to have been much less prominent in the latter part of the period than in the earlier, for reasons we shall discuss in the following section.

The ability of gamblers to achieve political alliances, just like the general willingness of police to accept moneys from gamblers, was affected by the ambivalent moral status of gamblers and gambling during the period. Though there was little support for the legalization of gambling, apart from parimutuel betting at the racetrack, there was also a strong base of tolerance for gambling itself. This was particularly true among Irish immigrants, who were prominent in both police and urban politics during the first half of this century. Police and politicians who might resist allying themselves with the operators of brothels or heroin dealers had

6. William F. Whyte, *Street Corner Society* (Chicago: University of Chicago Press, 1943).

7. Commission to Investigate Allegations of Police Corruption and the City's Anti-Corruption Program, *Report* (New York: George Braziller, 1973).

8. Jonathan Rubinstein, *City Police* (New York: Farrar, Straus and Giroux, 1973), p. 390.

little hesitation in taking money from bookmakers or casino operators.

Moreover, the political alliance reflected the fact that some gambling operators had considerable organizational assets. The large numbers of retailers provided a very effective pool of labor for getting out the vote on election days.[9] It is also likely that the retailers had a certain status in the community, which made them effective advocates for the political organization supported by their banker. Block, in describing the evolution of the organization of illegal gambling in New York City, stresses the strength of the relationship between some of the major gambling organizations and the political machine of Tammany Hall.[10] A persuasive account of the ease with which New York detectives entered into corrupt relations with gamblers is provided by Reardon,[11] a central participant in the notorious Harry Gross scandal of 1950.

Senior police administrators were acutely conscious of the problems presented by gambling enforcement. No other responsibility was so likely to produce a major scandal. On the one hand, it was important to provide the appearance of rigorous enforcement; otherwise, the department was assumed to be corrupt. On the other hand, the more intense the enforcement, the deeper the corruption it might engender.

The solution was highly ritualized enforcement practices. As usual, our best information concerns New York City. Kornblum describes in interesting detail the constant reorganization of the New York Police Department's gambling effort during the period 1950-70.[12] Though in theory every police officer had some gambling enforcement responsibility, patrol officers restricted their arrest activities to nuisance gambling, such as sidewalk card and dice games. The enforcement of laws against professional gambling organizations was given over to specialized units, the plainclothes squads. These were attached to all the various levels of command, from precinct to headquarters. They were notoriously corrupt units, and honest officers could only be recruited into them by the claim, which was correctly disbelieved, that this was a necessary step to becoming a detective and getting out of the uniformed branch.

One component of the solution to the control problem was to impose quotas on the plainclothesmen. They were required to make a certain number of gambling arrests every month. This assured at least a minimum amount of visible enforcement activity. Of course, it did nothing to prevent corruption. The plainclothesmen and gamblers worked out arrangements for the arrest of "stand-ins," persons of minor importance to the gambling business who agreed to be arrested—which imposed trivial risk of anything more serious than a modest fine—in return for some small amount of money.

9. Referring to an earlier period, 1880 to 1905, Haller says, "In many neighborhoods, it was not so much that gambling syndicates influenced local political organizations: rather gambling syndicates *were* the local political organizations." Mark Haller, "The Changing Structure of American Gambling in the Twentieth Century," *Journal of Social Issues,* 35(3):88 (1979).

10. Alan Block, *East Side-West Side* (Cardiff: University of Cardiff Press, 1980).

11. James Reardon, *The Sweet Life of Jimmy Riley* (New York: Wyndham Books, 1980). Though writing in the form of a novel, Reardon, who was convicted on corruption charges, uses actual names for most participants and clearly intends to provide his own account of what happened.

12. Kornblum, *Moral Hazards.*

Efforts to prevent this through centralized control were unsuccessful. The creation of an enormous central file system of known gamblers, or KGs, did not help. The KGs, of course, included all those persons who had previously been arrested for gambling, including the many stand-ins. The requirement that individual officers report on vice conditions in their area and check on all KGs on a regular basis did little to provide a method for monitoring the efficacy and integrity of gambling enforcement. There were in fact no objective indicators available to the central authority. The result was an enormous amount of worthless paperwork that simply reiterated the formal detail of corrupt gambling enforcement.

These corruption-control measures also made effective investigation more difficult. Given the lack of a plaintiff, the precautions adopted by gambling operators, and the lack of credible threats against arrested low-level employees, making it difficult to recruit them as informants, the gambling investigator faced substantial problems in trying to make a case against the bookmaker or numbers banker himself. The most plausible technique—undercover investigation—in which a police officer infiltrates the gambling milieu, was not an acceptable technique to senior management, whose prime concern was to avert scandal. Undercover officers required just the kind of unmonitored contact with gamblers that management attempted to prevent.

Even lower-level arrests presented serious difficulties for honest officers.

> If the patrolman has no information regarding gambling, the only evidence he can look for is an exchange of money on the street or a person jotting something on a slip of paper. These acts could represent anything; nobody would argue that even in neighborhoods where gambling is common are they practiced exclusively by bookies or numbers writers.[13]

To make gambling arrests, the officer had to perjure himself. It may be argued that these management-induced illegalities were an important contribution to the process of corruption among police.

Prosecutors and judges

So far, only the problems that gambling presented to the police have been discussed. Other components of the criminal justice system—prosecutors and judges—did not face similar difficulties. While there is evidence of some corruption arising from their gambling responsibilities, it was in large part a police problem. The reasons are of some interest.

Judges have been unwilling for some decades to impose significant penalties on convicted gamblers. Dealing with the end of the 1933-70 period, Lasswell and McKenna found that not a single one of the 19,500 persons arrested on felony gambling charges in New York State between 1964 and 1969 received a state prison sentence.[14] Given the small threat posed by judicial sentencing practices, it was scarcely necessary to make payments to judges.

Prosecutors, similarly, were little interested in gambling cases. New York City provides a particularly interesting illustration of this. Despite the fact that the New York district attorney's office was the national leader in organized

13. Rubinstein, *City Police,* p. 379.

14. Harold Lasswell and Jeremiah McKenna, *Organized Crime in an Inner City Community* (Springfield, VA: National Technical Information Service, 1972).

crime investigations and routinely espoused the orthodox belief that illegal gambling was the most important activity of organized crime, little attention was in fact paid to gambling cases by the famous Rackets Bureau. Instead, most gambling cases during the 1950s and early 1960s were handled in a special gamblers' court. This was used as a training ground for new assistant district attorneys, who might handle 10 misdemeanor gambling cases in a day, watching police routinely perjure themselves in presenting formulaic evidence.

The distinction between the roles of police and prosecutors arose largely from the fact that the police could inflict significant harm on illegal gambling operations even without bringing a case to court. The arrest of persons holding gambling records was a serious inconvenience. For bookmakers it often involved payment of false claims to bettors who knew that a raid had occurred and that their claims could not be checked.[15] Numbers bankers did not usually pay claims on the day of a raid, but the raid did cause loss of money and consumer goodwill, as well as legal expenses for agents who were taken to court. The police had the ability to harass, without the assistance of the courts or prosecutors, and thus were the most important target for corrupt deals.

Were prosecutors unaware of gambling corruption among the police? Clearly, given the intimate involvement of local prosecutors in the workings of political machines, they must have been aware of the general phenomenon. However, they lacked either the tools or the motivation for active prosecution of police corruption. In most cities the prosecutor's investigators were themselves members of the local police departments; enthusiasm for investigating their colleagues was limited. Moreover, corruption cases usually depended on the testimony of some gamblers willing to describe their ongoing relations with the police. There was little with which the prosecutor could threaten, and if they wished to later resume their gambling operations the protection of the police was essential.

Finally, prosecutors were themselves highly politicized figures. The selection of candidates for district attorney was a significant party activity, and party machines, strong through much of the period, were unlikely to choose candidates who would crusade against their gambling allies. The famous investigations of police corruption in New York, such as the Harry Gross scandal in 1950,[16] generally resulted from the actions of external groups—a newspaper in that particular case—rather than prosecutive initiative.

THE FEDERAL EPISODE

The federal government entered the gambling enforcement scene rather late in our period. Prior to 1950 federal authority was limited to very narrow matters, such as the operation of gambling ships, floating casinos that were located off the California coast, beyond state authority, in the 1930s and early 1940s. Then in 1951 a federal tax was placed on most forms of gambling. This was intended both to suppress illegal gambling and to raise significant revenues for the Korean conflict.

15. Police, aware of this practice among bookmakers in New York, made efforts to ensure that bettors were aware of the raid, so as to maximize the bookmaker's loss from false claims.

16. Kornblum, *Moral Hazards,* chap. 2.

These were clearly contradictory goals; the payment of the tax did not provide the payer with any protection from police enforcement actions. Indeed, until a Supreme Court decision in 1968,[17] it provided information that facilitated investigation. Consequently, it is not surprising that few illegal operators paid the tax. Revenues never came close to the original estimates. The maximum was $10 million in 1953 compared to congressional projections of $400 million per annum. The Internal Revenue Service, which was responsible for collection of the tax, made many criminal cases against gambling operators for failure to file. There is nothing to suggest that this significantly reduced the availability of illegal gambling opportunities to the public.

The passage of the tax was partially justified by the findings of the Kefauver Commission in 1951 that illegal gambling was the most important activity of organized crime. The apparent failure of the Internal Revenue Service to make much headway against organized crime, specifically the Mafia, encouraged Attorney General Robert Kennedy to sponsor a number of bills giving the Federal Bureau of Investigation jurisdiction over interstate gambling operations. A number of spectacular and highly publicized cases were made, and the efficacy of gambling laws as a tool against organized crime was apparently established.[18]

Thus in 1969 the Nixon administration, eager to expand the war against organized crime, as the effort was generally called, introduced a series of bills that even further extended federal jurisdiction over gambling offenses. Now federal prosecutors could bring cases against gambling operations involving more than 5 persons and involving either 30 continuous days of operation or $2000 per day in wagering.[19] This was justified by application of the commerce clause of the Constitution. Organized crime menaced the operation of interstate commerce, and gambling was central to organized crime. This represented only a mildly novel interpretation of a clause that had been much used recently to expand federal jurisdiction into areas long thought of as the sole province of the states.[20]

This extension of federal jurisdiction was also justified by claims of the corruption of local law enforcement. Numerous hearings of the McClellan Committee, following on the spectacular hearings of the Kefauver Committee in the early 1950s, had shown a great deal of local police corruption in the enforcement of gambling laws. This helped ease the passage of the Organized Crime Control Act of 1970.

With these expanded powers, the Federal Bureau of Investigation and the Department of Justice began to focus intense efforts on illegal gambling operations in many cities. The federal Organized Crime Strike Forces, interagency groups headed by career prosecutors, were set up in 17 major cities and initially put most of their resources into investigations of illegal gambling. It is impossible to find data on the allocation of strike force manpower across different offenses, but wiretap figures suggest

17. *Marchetti* v. *U.S.*, 390 U.S. 39, 88 Sup. Ct., 697, 19 L. Ed. 889 (1968).

18. This episode is discussed in Victor Navasky, *Kennedy Justice* (New York: Atheneum, 1971), chap. 10.

19. 18 U.S.C. 1955.

20. For example, the commerce clause is the basis for much of the federal civil rights legislation.

that gambling may have accounted for 60 percent or more of strike force time. Wiretaps, which had been authorized for the first time under the 1968 Safe Streets Act, were initially used almost entirely for gambling cases. In the first four years of the strike forces, which accounted for most of the federal wiretaps, some 72 percent of such surveillances were obtained for gambling offenses.

The federal effort came to an end very rapidly. The gambling cases produced numerous headlines but few prison sentences. Many of the early cases were dismissed as the result of technical problems with the wiretap applications or the operation of the surveillances themselves.[21] Judges were rarely willing to give long prison sentences to convicted gambling operators. Sentences averaged only 20 months, in contrast to, for example, 40 months for marijuana dealers.

By 1978 there were only 6 applications by federal authorities for gambling wiretaps, compared with over 200 annually during the early 1970s. The number of federal gambling indictments showed a similar decline. Despite the continued assertion that illegal gambling is the most significant source of revenue for "traditional organized crime," the current federal euphemism for the Mafia, little effort is made to investigate or prosecute illegal gamblers federally.

There are a number of possible interpretations of this episode in federal enforcement. One is that federal agencies simply lagged in their interpretation of the popular significance of illegal gambling. By the time they mounted their most serious effort, popular concern with the activity had diminished. The spread of state-operated lotteries around 1970, though it presented no threat to the revenues of illegal gambling operators, symbolized the end of a moral concern with gambling per se. Judges were unpersuaded by the claims of organized crime evils in sentencing operators whose primary sin they saw as failure to file taxes while competing with the state. The fact that few of those brought to court were either members of, or demonstrably close associates of, the Mafia also weakened the prosecutors' appeals to the judges at sentencing.

Another interpretation stresses the latter aspect. The federal effort explicitly assumed the importance of illegal gambling to the Mafia. Whether such importance ever did exist—and I am inclined to believe that it may have during the 1940s—it was not so clear by the time the federal government became most active. The credibility of the strategy is questionable in view of the continued failure of the federal agencies to show that this premise was correct.

What impact did the federal intervention have on the behavior of local police? A priori one can argue as plausibly that the federal agencies' efforts increased the intensity of local police enforcement as that it reduced the intensity. On the one hand, increased local enforcement might be a defensive response, an attempt to assure that the federal agencies did not show up the local police. Alternatively, the federal enforcement could be seen as cream-skimming; since the better-equipped federal agencies would take all the glamorous cases, local police might lose interest.

21. See, for example, the description of one major case provided in Jack Carlisle, "Gambling in Detroit: An Informal History" in *Gambling in America,* Commission on the Review of the National Policy toward Gambling (Washington, DC: Government Printing Office, 1976), app. 1.

Unfortunately, it is not possible to test these hypotheses. For the nation as a whole, gambling arrests continued to decline, as they had done for the whole preceding decade. Analysis of differences between cities in which strike forces were present and those in which they were not has never been carried out. But the failure of the strike force campaign against gambling may be viewed as the final blow against intense gambling enforcement, by any level of government.

ILLEGAL GAMBLING AND ORGANIZED CRIME

From the time of the Kefauver Committee on, it has been held that illegal gambling was in fact the major activity of organized crime. It was argued that this gave a special importance to the suppression of the games, innocuous as they may seem. *The $2 Bet Means Murder,* the title of a book by J. Fred Cook in 1961,[22] presented the argument in its most direct form. Police constantly alleged that the income from gambling permitted participants in organized crime to finance their heroin operations, though no evidence was ever produced for this implausible statement.

The Kefauver Committee certainly made a case for the proposition that the major figures in gambling in a number of cities, such as Miami, Chicago, and Kansas City, were former bootleggers who also had considerable involvement in a number of other criminal activities in the postwar era. The committee asserted that the wire service, the telegraph system that provided bookmakers with the results of horse races throughout the nation, was the instrument for control of bookmaking in the individual cities. The committee's efforts to stitch together a national coordinated conspiracy, the Mafia, that ran this were less successful.

As reinterpreted by Schelling,[23] the committee's findings concerning the role of the wire service in the Mafia's control of bookmakers in particular cities came back to the role of police corruption. Organized crime was parasitic on bookmaking. The wire service provided a device for taxing all bookmakers uniformly. Corrupt police served as the prime instrument for collection of the tax. Arrest could be used as punishment of noncompliant bookmakers for their failure to pay. This also served to meet the police need for visible evidence of their gambling enforcement effort. The division of the spoils between the police and organized crime was a matter of bargaining and organizing initiative.

Slightly different arguments apply to casinos and numbers banks. There was no counterpart to the wire service to provide a connection between the operations of different cities. Probably the police were required to deal more directly with the gambling enterprises themselves. They could not merely collect from the organized crime operators of a wire service, as in bookmaking, but had to levy the tax directly. Indeed, the "bagmen" of the New York gambling squads seem to have been most heavily involved with numbers operations.

Nonetheless, the police allied themselves in many cities with organized crime in controlling the casino and numbers trades. For casinos, the explanation may be that the casino operation required more than just the skills of a gambling operator; the casino offered a

22. J. Fred Cook, *The $2 Bet Means Murder* (New York: Dial Press, 1961).

23. Thomas Schelling, "Economics and Criminal Enterprise," *Public Interest,* no. 7 (1967).

variety of illegal services, including prostitution, loansharking, and illegal liquor. Only broad-based criminal groups could be relied upon to provide all these services and assure that order would be maintained within the establishments, thus reducing the risk of public scandal.

The explanation for the organized crime involvement in numbers is, I believe, different. Haller has argued that, at least in New York, the major bootlegging gangs were able to take over numbers banks previously run by minority groups, in part because they offered more reliable service. Previous operators were undercapitalized.[24] In other instances, it may be that the political value of numbers enterprises with many members, already mentioned, gave political organizations an interest in assuring that they were under the control of gangs with whom they had already built stable alliances, namely the former bootleggers.

These explanations are highly speculative and, given the nature of the subject matter and the difficulty of obtaining documentation, are likely to remain so. However, they suggest that the relationship between organized crime and illegal gambling rested heavily on the necessity for gambling operators to protect themselves from police intervention. They suggest, too, the utility of organized crime in assuring that the relationships between the police and gambling operators were smooth.

They also help explain what appears to be a significant change in the relationship of illegal gambling and organized crime, beginning perhaps as early as the 1960s. A critical aspect of the arrangements we have been describing is that the local police had sole responsibility for gambling enforcement. If the city police could be purchased, then the protection was total. No other agency had the legal and investigative resources to intervene.

This gradually changed over the period 1961-70. As already discussed, federal agencies became heavily involved in gambling enforcement. In a number of states, state police, previously essentially highway patrol agencies, became active criminal investigative agencies. It was no longer possible for local police to provide complete protection. Indeed, these higher-level investigative agencies were acutely interested, at least in some cities, in gambling corruption. That was, after all, one of the bases for Congress's giving the Department of Justice jurisdiction over intrastate gambling operations. Gamblers arrested by these other agencies might well find themselves offered the opportunity to get out of trouble by providing evidence of corruption by local police.

There were other changes that affected the organization of gambling and hence its relationship both to police corruption and organized crime. The growth of sports betting and the decline of horse betting had profound effects. Bookmakers no longer needed the wire service, and bettors had no interest in coming to the bookmaker's premises. Instead, the bookmaker became the operator of a telephone service only; police protection was far less important. Illegal casinos, because they almost all served customers from more than one state, had been badly affected by FBI raids during the early 1960s, under the interstate gambling statutes. The growth of Las Vegas probably also had a substantial negative effect. The breakdown of the

24. Haller, "Changing Structure of American Gambling," pp. 94-95.

old political machines in many cities led to ethnic groups' regaining control of their own numbers banks.

By the end of the 1960s it is likely that gambling had a very different relationship to broad-based criminal gangs such as the Mafia. The changes in the games and the structure of enforcement made it less feasible to use relations with political organizations to exert control over gambling through police corruption. Though many individual members of the gangs remained involved in the operation of particular gambling businesses, it is likely that gambling markets became substantially more competitive by the end of the era.[25]

CONCLUSION

Gambling enforcement was always a burden to the police departments of major American cities. The most that a department could hope for was an occasional arrest of a well-known racketeer and a lack of scandal. Not only could they not achieve their stated goal—suppression of organized gambling—but they could not produce any indicator that they were making any progress toward that goal.

The gradual decline in police responsibility for gambling enforcement has many roots. The entry of state governments into various forms of gambling certainly was important. So was the federal campaign against large-scale gambling organizations. I would also speculate that increased popular understanding of the inevitable failure of gambling enforcement and a concern that police devote their limited resources to other, more pressing activities may have been the most significant factors.

In any case, the end result is that gambling is no longer a major problem for local police. Few resources are devoted to it and, except for the occasional large-scale raid, it is given little attention. Narcotics enforcement has apparently taken its place as the responsibility that poses the greatest threat to police autonomy. Fortunately, it appears that changes in the structure of politics, in particular the demise of urban machines, and the different operating routines of drug traffic, in particular the lack of need for continued and systematic protection at the lowest operating level, make it likely that drug dealing will engender less organized corruption than did gambling in its heyday.

25. The argument and evidence are given in detail in Reuter, *Disorganized Crime,* chap. 8.

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A Zoning Merit Model for Casino Gambling

By JEROME H. SKOLNICK

ABSTRACT: Casino gambling is legal in Nevada and Atlantic City, New Jersey. Should other states follow their example? States seem to express slight moral concern about legalizing gambling, as witness the proliferation of lotteries and legal betting on horse races. Casino gambling is scarcely less moral than lotteries and horse racing, but it does have distinctive problems, notably a history of organized crime involvement and general shadiness. Neither Nevada nor Atlantic City offers a desirable model for other states considering legalization. Nevada's economy is thoroughly dependent upon the casino gambling industry, which dominates politics at every level. Atlantic City has enjoyed considerable prosperity as a result of casino legalization, but it has also experienced major problems, such as increased crime, higher housing costs, few jobs to local residents, and displacement of the elderly and poor. States considering legalization should not adopt Nevada's, New Jersey's, or England's qualification models. Instead, states should consider a resort-merit approach limiting number and location of casinos. Casino applicants would be selected on merit, after submitting proposals that include substantial information on corporate background and social and economic impact.

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SHOULD casino gambling be legalized by such states as New York, California, Massachusetts, and Florida? I want in this article to raise some of the considerations involved in answering that question, and most particularly to propose a licensing model to regulate both the environmental impact of casinos and the threat of organized crime takeover and stigma.

A jurisdiction considering legalization of casino gambling must first reflect upon the weighty moral issue raised by the state's benefiting economically from any form of gambling, and upon the question, Is casino gambling more socially undesirable than other forms? The contemporary American public seems on the whole to accept the legalization of gambling. According to the 1976 report of the United States National Commission on the Review of the National Policy toward Gambling, 80 percent of Americans favor the legalization of some form of gambling, and two-thirds have actually gambled.[1] Given the broad expansion of legal gambling since the publication of the commission's report, we must assume even more public acceptability today than existed during the writing of the report.

Nevertheless, there is a traditional Protestant ethical objection to gambling, one that deplores the accumulation of money or wealth without working or investing. Gambling, however, so closely mimics various aspects of contemporary capitalism—speculative purchasing of common stocks or precious metals, for instance—that it may be difficult for the average person to distinguish between the two. In any event, no moral distinction can be made between the motives of many business risk takers and the gambler.

Ultimately, the public policy issue may not rest on whether or not gambling is moral as such, but on whether the government ought to promote an activity that is, if not immoral, at least not exemplary. "Our government," wrote Justice Louis D. Brandeis, "is the potent, omnipresent teacher. For good or for ill, it teaches the whole people by its example."[2] Is it consistent for the same government that promotes literacy, public health, the environment, and other conventionally salutary activities also to endorse gambling? Thus, the most fundamental criticism of any form of legal gambling has to do with the government's role in promoting what is often justified as a voluntary tax. Especially as more and more states compete with one another and with organized criminals for the gambling market, novel inducements are invented to stimulate demand.

On the narrow issue of the propriety of governmental advertisement of gambling, casino gambling advertising appears almost dignified as compared to contemporary promotion of off-track betting and the lottery. These games are typically run by the government, which maintains a direct interest in revenue production. Casinos, by contrast, are permitted to operate by the state through licensing. So, of course, are numerous other businesses. When privately owned casinos advertise, they do so for their own gain, and only indirectly for the state's, the amount of indirection varying with the state's dependence upon the casino.

1. Commission on the Review of the National Policy toward Gambling, *Gambling in America* (Washington, DC: Government Printing Office, 1976), p. 63.

2. *Olmstead* v. *U.S.*, 277 U.S. 438, 485.

Thus, if we are to judge by the omnipresent-teacher standard of proper governmental conduct, casino gambling may compromise the government's moral position somewhat less than does a state-run and -advertised lottery. Under the standard of government as role model, it would appear more seemly that a profit-seeking corporation advertise gambling than that the state or its agents plan and execute the advertising.

Lotteries have become big business for seventeen states and the District of Columbia. Lotteries brought in $3.8 billion in ticket sales to participating jurisdictions in 1982—up 32 percent from 1981. By 1983, weekly sales were averaging $23 million in Pennsylvania, $15.8 million in New York State, and $15.9 million in New Jersey. Pennsylvania alone was expecting to sell $1 billion worth of lottery tickets by the end of 1983. Total New York State lottery sales for the fiscal year that ended in March 1981 were $645 million. In New Jersey, the fiscal year that ended 30 June found sales at $693.1 million.[3] Lotteries are a hard-sell, frequently advertised business in all states that have adopted them, with such typically edifying slogans as New York's "Play Your Lucky Hunch—You Could Win a Bunch."

THE PROBLEMS OF CASINO GAMBLING

This is not to suggest, however, that casino gambling does not generate problems. I have discussed these elsewhere and will but briefly summarize them here. First, at least at the time of the National Gambling Commission report —1976—casino gambling seemed a more stigmatic activity—not as acceptable to the general public as other gambling forms. These attitudes may have been altered, in either direction, as a result of casino developments in Atlantic City, plus the expansion of lotteries.

Whatever the general public attitude, there can be no question that casinos are attractive to substantial segments of the public. Their very popularity may, however, pose a problem. Not only are casinos popular, but they are in addition psychologically programmed to enhance their attractiveness. The casino ambience is carefully designed to stimulate play. No clocks are in evidence, illumination is the same day and night, and no cash appears on the table. It is one thing to bet a five dollar bill, another to place a red chip on the craps table's pass line. Inducements to gamble may be quite subtle, as when a casino hotel's elevator is programmed to play relaxing music as it heads up to the rooms and suites, and stimulating music as it moves in the direction of the casino floor.

Some commentators have argued that the very attractiveness of casinos is likely to result in more "tapped-out" players—those who lose their bottom dollar—than other forms of gambling. A study by Weinstein and Deitch found that lottery players place relatively small, single bets "in conjunction with purchases of other goods and services, in places such as newsstands, supermarkets and drugstores." They argued that there is nothing in these social situations to encourage excessive expenditures. Similarly, Weinstein and Deitch noted that even though off-track betting parlors offer only betting and therefore permit greater concentration on it than newsstands do, they are consciously designed to discourage socializing.[4]

3. *New York Times*, 13 Nov. 1983.

4. David Weinstein and Lillian Deitch, *The Impact of Legalized Gambling: The Socio-eco-*

By contrast, every effort is made to keep the casino gambler inside the casino by providing food and entertainment in addition to gambling. Major casino complexes are actually self-contained cities, offering numerous goods and services, frequently in spectacular fashion. Indeed, this combination of festivity and fashion may be precisely what attracts many players to casinos. Players are made to feel that a casino is like a long-running party with a focus on gambling—but a party that requires no special invitation and no requirement to gamble.[5]

Still, it is by no means clear that casino gambling is more dangerous than other forms. The explosion of lotteries—with by now relatively primitive weekly drawings, instant games, punch games, and eventually video games—all promoted by the state, with easy access, may be potentially more addicting than casinos removed from major population areas. A Philadelphian who makes a conscious decision to gamble in Atlantic City or a Californian who decides to spend a weekend in Las Vegas must make plans and reservations. By contrast, lottery tickets and off-track betting parlors are easily accessible; and those who buy tickets and bet on horse races are encouraged to do so on a daily basis. Casino gambling, on the other hand, typically involves occasional betting in the sense that casino trips are usually planned occasions, not daily occurrences. Once in the casino, the bettor can, of course, lose his or her bottom dollar.

Overgrowth, related social problems, and difficulties of control are other issues that bedevil the legal casino gambling business. Assuming some finite market for casino gambling, we cannot realistically envision infinite expansion of the industry. As casino gambling expands in any one area, individual casinos will succumb to competitive forces. All casinos generally offer the same games and odds. At rock bottom, casino management requires the lowest capital investment, plus the most attractive daily operation. In 1982 two of Atlantic City's casinos, the Claridge and Ramada Inn's Tropicana, were in serious financial trouble, while the Golden Nugget was hailed by *Fortune* magazine as "Atlantic City's Biggest Winner."[6] Organized crime infiltration aside, there is no assurance that the most scrupulously clean casino will operate profitably.

Other unwelcome side effects of casino gambling concentration are soaring land values and displacement of the previously existing population. Most Atlantic City casino jobs were filled by nonresidents. Although the casinos created thousands of additional jobs, the city still had a seasonally adjusted unemployment rate of 13 percent after three years of casino gambling. In fact, there has been an enormous inconsistency between the tens of thousands of jobs the casinos brought to Atlantic City and the continued high unemployment of the local area. Sternlieb and Hughes attribute the discrepancy to high standards of prior employment demanded by the Casino Control Commission and the casinos, coupled with the social characteristics of the population of this depressed area—"a whole generation of

nomic Consequences of Lotteries and Off-track Betting (New York: Praeger, 1974), p. 124.

5. For a description of "The Player's Casino," see Jerome H. Skolnick, *House of Cards: Legalization and Control of Casino Gambling* (Boston: Little, Brown, 1978), pp. 35-41.

6. Thomas Moore, "Atlantic City's Biggest Winner," *Fortune*, 5 Apr. 1982.

residents with substantial problems in adjusting to the workplace—even with the very best of job prospects."[7]

The introduction of casino gambling may also invite shadiness, not so much within the casinos proper, but on adjoining streets. Prostitutes are attracted to any place where men are likely to spend money. To guard against shadiness, New Jersey mandated certain size and aesthetic requirements for casinos. Nevertheless, Atlantic City experienced a rise in street crime after the casinos opened in 1978. A study by former New York Police Commissioner Patrick V. Murphy described major crimes as "soaring" since the advent of the casinos, and in part attributed the rise in crime to a police department weakly managed and woefully unprepared for the influx of crowds—and various seedy characters—attracted to the casino's boom-town atmosphere.[8]

ORGANIZED CRIME

Of all the problems faced by the casino gambling industry, none is more serious than the history of the relationship between organized crime and casino gambling, and the public's consciousness of the relationship. The Las Vegas casino gambling industry was begun and developed by well-known, even notorious, organized crime figures. The legendary gangster Benjamin ("Bugsy") Siegel is generally acknowledged to be the man who invented Las Vegas. Despite federal government efforts during the 1950s and 1960s, and Nevada efforts during the 1970s, organized criminal groups managed to infiltrate and control several leading Nevada casinos.

During the 1970s I undertook a participant observation study of the Nevada Gaming Control Board and Commission. I was able to observe, on a developing and day-to-day basis, how a sincere effort to displace organized crime agents from casinos could be frustrated by various political and legal impediments. Let me offer as an illustration the case of Frank Rosenthal, who eventually was driven out of Nevada gambling by state officials.[9]

The Rosenthal case

Mr. Rosenthal, who was recently described as an agent for the Chicago underworld in a federal trial involving secret criminal control of a casino, had applied to be director of casino operations for the Argent—that is, Allen R. Glick Enterprises—Corporation in 1976, when it held five major casinos. Rosenthal was at that time recognized in the gambling world as a top-drawer professional gambler. He was vaguely suspected of having had some connections with organized crime, but did not appear so very different from many who occupy managerial positions within the gambling industry.

Rosenthal and another man, Elliot Paul Price, were arrested in 1970 on illegal bookmaking charges by the federal government. At the time, legal bookmakers were required to pay a 10 percent federal tax, which has since been repealed. Because of the tax, illegal bookmakers offered better odds than legal bookmakers.

7. George Sternlieb and James W. Hughes, *The Atlantic City Gamble* (Cambridge, MA: Harvard University Press, 1983), p. 89.

8. *New York Times*, 3 May 1981.

9. For a complete discussion of the Rosenthal case and associated licensing dilemmas and issues, see Skolnick, *House of Cards*, pp. 171-238.

When Rosenthal and Price were arrested, the federal agents seized their Nevada work permits. Price applied for another permit but was denied by the gaming control authorities. Price sued to replace his permit, arguing that the gaming authorities could not revoke his permit without a separate hearing. The Nevada Supreme Court upheld Price and admonished the legislature for not specifying a procedure for revoking a work permit. The Price case was significant because it made gaming authorities wary of going after someone's job without procedures acceptable by due process standards. The Price decision was later to make them watchful when challenging Rosenthal and others.

In the meantime, Mr. Rosenthal had been hired as entertainment director for Argent, a position that did not require licensing. The Gaming Control Board suspected that Mr. Rosenthal had considerable influence over casino hiring and firing and over credit arrangements. It began to press Allen Glick to have Mr. Rosenthal licensed since, as an applicant, Mr. Rosenthal would be subject to a much more extensive investigation. The investigation revealed that Mr. Rosenthal was widely believed by law enforcement agencies to be linked to the Chicago underworld, particularly through his association with Anthony Spilotro, an association that Mr. Rosenthal admitted but claimed was purely social. The board was skeptical of that claim, but could not prove that it was untrue.

The investigation also revealed that in 1962 Rosenthal was charged by a North Carolina court with attempting to bribe a New York University basketball player in a game between that school and West Virginia to be played in Charlotte, North Carolina. Mr. Rosenthal did not contest the charges and paid a fine of $6000 plus court costs. Mr. Rosenthal claimed at his licensing hearing that he was the innocent victim of an associate who turned state's evidence. The board did not believe Mr. Rosenthal's story and denied him a license.

The denial was quite costly to Mr. Rosenthal and perhaps more costly to any of those he might have represented in the underworld. Allen Glick had, before the hearing, rewarded Rosenthal with a 10-year contract at $250,000 per year whether or not Rosenthal received his license. Argent's annual report to the Securities and Exchange Commission showed that in 1976 Rosenthal received compensation of $579,636, including salary, land, and a fashionable Las Vegas home outfitted with various electronic devices designed to permit him and any others he might invite to review aspects of the casino operation.

Mr. Rosenthal challenged the denial on grounds that the entire Nevada gaming control apparatus was unconstitutional. Mr. Rosenthal was sustained in his contention by a Nevada district court judge—who, the Los Angeles Times discovered a few months later, had been given a $2800 write-off on a bill for his daughter's wedding reception in one of the hotels run by Mr. Rosenthal. In the meantime, the Gaming Board appealed the judge's ruling, and the case was accepted for review by the Nevada Supreme Court.

The authorities felt that if they could not win the Rosenthal case they could not win any. Still, organized crime suspect Frank Rosenthal—who in 1982 barely survived a bomb that blew up his car—was able to enlist on his side unusually distinguished counsel: former dean

of the Harvard Law School and former solicitor general of the United States, Erwin Griswold. It was not to prove an easy victory for the authorities, because Mr. Griswold and his associate presented a learned brief.

The Griswold brief attacked various aspects of Nevada's licensing procedures, but it highlighted the vagueness of the gaming control statutes as a failure of due process. At the time, the statute granted "full and absolute power and authority" to deny a license "for any cause deemed reasonable." Obviously, such language is terribly vague. The regulations adopted by the gaming commission to clarify the statute were somewhat more specific but still rather general.

The brief pointed out that recent United States Supreme Court cases had upheld catch-all phrases like "character, honesty, and integrity" against due process attacks, but that these cases all had involved "distinct and separate portions of society whose history, customs and traditions have given special meaning to catchwords like character, honesty and integrity." Actually, most of these cases had involved professional or allied occupations such as doctors, lawyers, or government officials. The brief argued that gambling did not constitute such a separate sphere of society.

This argument was of course the brief's fatal flaw, since both Nevada and federal courts had previously acknowledged that the world of gambling was something special—not because those in it were in positions of trust like doctors and lawyers, but because they enjoy unusual opportunities for engaging in exceptionally devious criminal activity. One judge pointed out in oral argument that, the issue of the regulations' vagueness to one side, Mr. Rosenthal's unsuitability was grounded in a specific event, namely his guilty plea to the charge of having bribed an athlete. The Nevada Supreme Court upheld the constitutionality of the Nevada gaming control structure and drove Mr. Rosenthal out of Nevada's casino gambling industry.

Hidden interests

Regardless of the outcome of the Rosenthal case, Nevada was not home free. On 2 August 1978, a federal grand jury for the United States District Court for the Eastern District of Michigan, Southern Division, returned a 22-count indictment against Charles Goldfarb, James Tamer, James Abraham, Edward Monazym, and the Aladdin Hotel Corporation. The court consolidated certain of the 22 counts in pretrial proceedings, and the defendants were all charged in a single count of the amended indictment alleging a violation of 18 U.S.C. §371 (1976): conspiracy to commit offenses against the United States in the use of interstate commerce facilities by concealing hidden interests in the Aladdin Hotel in violation of Nevada law.[10] All four individuals and the corporation were found guilty on that charge.

Gaming Control Board members and staff had long suspected hanky-panky at the Aladdin. I had seen a secret report prepared by Dennis Gomes, then head of the gaming board's Audit Division, arguing that hidden interests prevailed at the Aladdin. Yet Nevada gaming

10. Goldfarb, a Detroit bail bondsman, and Abraham, a vice-president and director of Aladdin Hotel Corporation, were also found guilty of violating 18 U.S.C. §1952 (1976): the use of interstate commerce to aid racketeering. Abraham assisted Goldfarb and Tamer in hiding their interests in the Aladdin Hotel and Casino.

authorities could not do anything to remove Aladdin management until federal wiretaps revealed the extent of those interests. Similarly, not until June 1979, when the Federal Bureau of Investigation was forced by Federal District Court Judge Harry Claiborne of Las Vegas—later tried and acquitted of taking a bribe from brothel operator Joe Conforte—to reveal transcripts of secret electronic surveillance, could Nevada authorities definitely prove what had long been suspected—that organized crime figures in Kansas City were skimming the proceeds of the Tropicana Hotel.

Is Nevada's casino gambling industry still infiltrated by organized crime? Let me answer this way: knowledgeable people in and around the gambling industry and in law enforcement strongly suspect that some casinos probably do retain such ties, that others might, and that others probably do not. I discuss this issue extensively in *House of Cards,* where I argue that such ties were developed because casino gambling, like other industries, needed investment capital to expand. Major institutional lenders, however, were reluctant to provide capital to a pariah industry.

During the 1970s the primary source of capital was a pariah lender, James Hoffa's creation, the then-corrupt Teamsters central states, southeast, and southwest pension funds. I analyze the corruption process as follows: the funds' investment policy, coupled with organized crime domination of Teamsters union locals, nominated trustees who would grant loans in return for revenues skimmed from casinos by casino managers nominated by organized crime families.[11]

11. See especially pp. 297-309.

If we understand that Nevada casinos were almost routinely mob-connected only 20 years ago, the fact that certain casinos have divested themselves of organized crime ties and have been able to finance expansion through legitimate institutional processes is an achievement. For example, the Golden Nugget's Atlantic City construction financing was undertaken by Wall Street's Drexel Burnham Lambert through the sale of debentures and common stock.[12] No one would suggest that a Wall Street brokerage house maintains a hidden interest in the Golden Nugget.

THE QUALIFICATION MODEL OF THE CASINO INDUSTRY

Nevada's licensing model and, to a certain extent, New Jersey's—both of which I would describe as qualification models—render control over the casino industry less effective, more cumbersome, and more expensive than need be. The qualification model is in part related to the stances that these states have taken as a result of what they hope to achieve by casino gambling legalization.

It seems unlikely to me that any other state would seriously consider legalizing casino gambling as its major industry and source of state revenue, as Nevada has. In that state, casinos are essential for economic survival. About one-third of the work force of the entire state is employed by the casino gambling industry. Nearly half of Nevada's operating budget continues to be derived from taxes on casino gambling and on entertainment. Moreover, since most of the sales of other goods and services are related to the presence of legal casino gambling, without it the state's sales tax

12. Moore, "Atlantic City's Biggest Winner," p. 50.

revenues would be substantially reduced. No other state currently considering legalization of casinos would nor should want to adopt the Nevada model.

Neither is it conceivable that any American state would follow the English example. In contrast to the Nevadans, the British officially deplore legal casino gambling. Although casino gambling is legalized, legalization is seen by the British government as a means for dealing with a social problem that ought to be repressed as much as possible. Consequently, casino gambling is not a major source of revenue for the British government, nor are casinos exploited as a major tourist attraction. Casinos are not permitted to advertise, to offer entertainment, or to engage in other promotional activities.

Casinos in Great Britain are regarded as a tolerable nuisance, one that must be understood in relation to the failure of the 1960 Betting and Gaming Act to control casino gambling. The act's purpose was to allow anyone to gamble, while at the same time prohibiting a commercial interest in casino gambling. Unfortunately, those who drafted the act were not familiar enough with casino gambling to anticipate a variety of loopholes and dodges that could be developed to circumvent the act's intention. Indeed, the act actually allowed commercial interests to introduce into England a wide variety of casino games at a considerable profit, and clubs sprang up all over the country. At one time it was estimated there were approximately 1200 gaming clubs, which were virtually uncontrolled.

To protect urban workers from the temptations of the casino, European governments have traditionally limited casino gambling to "spas and watering places."[13] Under the 1968 Gaming Act, London's Mayfair gaming clubs were intended to serve as a functional equivalent to the continental spas and watering places. Nearly all the major casinos—four owned by the Coral Leisure Group, three by Ladbrokes, and the Playboy Club—were closed down because of improperly zealous promotional activities.[14] More important, gaming casinos are not permitted in working-class suburbs. Membership in the clubs must be sponsored, and is costly enough to bar the average industrial worker. British policy mirrors traditional European concepts of class segregation.

Atlantic City comes closest to what most other American jurisdictions have in mind when they consider legalizing casinos. The least important reason for legalizing was casino gambling's direct contribution to the total fiscal needs of New Jersey. More important was the prospect of general economic stimulation for the state. As Atlantic City developed, it was felt that construction, tourist, and some supply industries would also be stimulated. A third and most important reason was the rehabilitation of a decaying urban resort by stimulating the convention and entertainment industries while developing a character markedly different from that of Las Vegas.

New Jersey's control statute limits both the size and number of proposed

13. For further discussion of British gaming policy, see Skolnick, *House of Cards*, pp. 333-44; and Royal Commission on Gambling, *Final Report*, Cmnd. 7200 (London: Her Majesty's Stationery Office, 1978).

14. See David Miers, "The Mismanagement of Casino Gaming," *British Journal of Criminology* (Jan. 1981).

casinos in line with the idea of developing a model gambling resort. The control statute incorporates criminal as well as civil sanctions and contains strict conflict-of-interest provisions regarding employment of control agency personnel in the industry as a way of maximizing the integrity of the enforcement scheme.

As in Nevada, licensing is the linchpin of the control system, but New Jersey intended to profit from Nevada's mistakes. New Jersey's Casino Control Act, both stricter and more carefully considered than Nevada's, contains forceful language: since casino operations are especially sensitive and in need of public control and supervision "the regulatory and investigative powers and duties shall be exercised to the fullest extent."[15] The promise of strict controls seemed a practical and a necessary counterpart to the governor's earnest promise to keep organized crime out of Atlantic City. Moreover, the Division of Gaming Enforcement was supposed to take an adversarial stance in the licensing process, arguing the state's case against the applicant for a gaming license. With that mission, combined with a sizable operating budget and more investigatory power than its Nevada counterpart, the New Jersey gaming control agency was presumably in a position to keep organized crime interests out of Atlantic City.

In early 1978 it became clear, however, that the major active applicant, Resorts International—a company whose affiliation with gambling in the Bahamas had in the past attracted federal scrutiny—could never be licensed in time for gambling to commence by the summer. New Jersey authorities were faced with the dilemma of reconciling the political imperative to bring casino gambling quickly to Atlantic City with the public assurance of a detailed investigation of an applicant.

Fertile legal minds in New Jersey arrived at a serviceable, but scarcely convincing, reconciliation of the dilemma—offering Resorts International a temporary license while the investigation proceeded. When the chief of the Special Investigation Bureau began his investigation, he was convinced that a thorough probe would prove conclusively that the corporation was dominated by organized crime interests. His views were made known to the division director, and in the summer of 1978 the director reorganized the Division of Gaming Reinforcement, removing from positions of control those staff members who led the Resorts probe.

Despite this attempt to water down the Division of Gaming Enforcement's report, when it was completed it still recommended that Resorts International should not be given a license to replace the temporary permit. Nevertheless, the Casino Control Commission licensed Resorts, overriding the enforcement division's negative recommendation. In reality, once Resorts had been granted a temporary license, a legal device hastily designed to fulfill a political need, the denial of a permanent license would have chanced an enormous setback.[16]

15. Casino Control Act, Pub. L. No. 1977, c. 110 art. 1 § 9.

16. See Skolnick, *House of Cards*, pp. 352-55; and Gigi Mahon, *The Company That Bought the Boardwalk* (New York: Random House, 1983).

A ZONING MERIT MODEL

The model I propose here seeks to respond to defects in the present qualification model used by both Nevada and New Jersey. The zoning part of the model addresses itself to the social, economic, and environmental consequences of casino gambling. In making the decision regarding the legalization of casino gambling, a state would first have to determine the ideal number of casinos to be in that state, where they would be located, and what likely impact they would have on surrounding communities. Granted that such projections are difficult to make, it is important that such goals be stated, so that variations from them can be assessed.

The merit part of the model is equally important, if not more so, than the zoning part. The distinction between a merit model and a qualification model is a familiar one, which we employ in various contexts. For example, leading law and medical schools may admit only one-tenth to one-twentieth of the applicants. A rejection from a major law school does not imply that an applicant is unqualified. All it suggests is that the applicant was not as qualified as those who were admitted. Similarly, a government agency might circulate a request for a proposal for a study of American court administration and how it might be improved. Several hundred agencies and institutions might apply, but only one might be selected. Those who are turned down will surely be disappointed, but they will not be stigmatized as unqualified.

Thus, under a zoning merit model, a state would first decide how many casinos it wanted and where it wanted them. It would then advertise, requesting proposals from whoever was interested in building a casino in selected locations. Obviously, each applicant would be advantaged by enclosing a thorough report on the impact on the environment, the local economy, and so forth. In addition—and this is critical—the applicant, normally a corporation, would have to prove its qualifications competitively and would have to be willing to be investigated as well, if such be necessary. The criteria for licensing would not be so very different from what they are now.

It might be argued that the whole idea of licensing for the marketplace is peculiar, even incongruous, in a free enterprise society. A government board does not decide, after applications and review of one's social and professional character, that one is suitable to work a farm or manage a hardware store. Licensing inevitably suggests a formal and unfree system of occupational control. The market is not permitted to decide whether you will be successful or ot, unless the government decides that you are fit and proper to enter the market. Licensing boards and processes represent the most developed form of modern governmental bureaucracy.

Is gambling so special that those holding key positions within it really require licensing? Milton Carrow has developed a concept of "sensitive" businesses, namely "those which have inherent potentialities for abuse and where self-corrective forces, economic or otherwise, are not effective."[17] He lists a variety of such businesses, ranging from temporary ones, such as auctions and liquidation sales, to those with fiduciary responsibility, such as banks and trust companies, securities dealers, and insurance companies. Good moral character is required in these as well as in other

17. Milton M. Carrow, *The Licensing Power in New York City* (South Hackensack, NJ: Fred B. Rothman, 1968), p. 18.

occupations and businesses where it is assumed that the consumer cannot fully understand the complexities of the transaction and particularly where the consumer might sustain uncompensable injury. That is the rationale for licensing physicians, pharmacists, engineers, architects, and lawyers.

By some contrast, licensing is not required in the gambling business because high status or great responsibility attaches to the profession. On the contrary, gamblers are required to be licensed because gambling lies at the other end of the honorific spectrum and is thought likely to attract scoundrels, cheats, and worse—sophisticated criminals nurtured in conspiracy and intrigue, willing to employ brutal coercion and capable of systematically corrupting authority to gain positions of vast and hidden power.

A merit system of licensing, in contrast to a qualification system, would offer the licensing authority an edge where it suspected, but could not prove, that the applicant could be a potential problem. The qualitative judgment involved is not much different from that involved in hiring a professor for a law faculty. The person chosen for the job may not actually prove better qualified than the one who was not offered the job. Nevertheless, it is usually the case that the one offered the job is very good indeed. In selecting a corporation to develop a casino, criteria would of course include experience, plus the quality of the operating corporation's proposal. The board would enjoy the enormous advantages of being able to select from a panel of proposals and of not stigmatizing those who are rejected.

At one time it might not have been possible to move forward with a zoning merit model. There simply was not enough experience in the gambling business for such a model to be practical. By now a merit model makes sense. Enough corporations have developed experience in the gambling business to enable a board to exercise selective judgments. As in other request-for-proposal situations, the board would negotiate with an applicant over the casino's appearance, who would run it, and under what conditions.

I perceive two fundamental problems in the scheme I have proposed. One is its political impracticality. It presupposes that a state's political processes would be rational enough to foster agreement on legalization of casino gambling and then to appoint a board that would decide, absent political pressures, where casinos would be placed.

Unfortunately, the political forces required to affirm legalization of casino gambling might demand that casinos be placed in their jurisdiction, irrespective of a larger state interest in maintaining a very small and select number of casinos and in locating them, say, in resort areas where they would seem most appropriate. Thus, it might not be a good idea to locate casinos in New York City, but it is scarcely conceivable that casino gambling would be legalized in New York State without the acquiescence of New York City authorities. That political requirement, however, might well defeat the purpose of the zoning merit model. In sum, the political dynamics of legalizaton could well undermine the proposed model's premise of rationality.

Second, the board would be very powerful under the zoning merit model, and there would always be the chance that the board could be corrupted, but no more so than that present boards would be corrupted. Moreover, the board would be politically accountable, as

boards presently are. Since, however, such a board should include city planners, architects, even social scientists, as well as lawyers—all of whom should enjoy impeccable reputations for personal integrity—the chances of corruption should be substantially reduced.

Despite these practical limitations affecting the acceptability of the zoning merit model, I believe this model would offer a significant improvement of the process of legalizing casino gambling. The approach demands a systematic examination of the needs of the state; it demands that the legislature very carefully think through its reasons for legalizing casino gambling in the first place. The legislature would be required to consider the issue of the government as omnipresent teacher. Should the legislature decide in favor of legalization, it would be approving an approach that permits maximal state control over location and character of the state's gambling industry from the outset. As we have learned from the past, once the genie is out of the bottle, it is awfully hard to contain—much less to put back in.

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Casino Gambling in Atlantic City: Issues of Development and Redevelopment

By JOSEPH RUBENSTEIN

ABSTRACT: In 1976 the citizens of New Jersey legalized casino gambling in the resort town of Atlantic City. Since the Great Depression, Atlantic City had been on an economic downswing representative of resort cycles in general. Casino gambling was supposed to revitalize Atlantic City and generate jobs and revenue for New Jersey. While the casinos have become successful, and jobs and revenue have been created, the revitalization of Atlantic City beyond the Boardwalk remains to be achieved. This outcome may be accounted for by pointing to rampant land speculation following the passage of the casino referendum, ineffective government intervention, and an historic urban planning pattern that emphasized Boardwalk and tourist-associated infrastructure development. With the casinos successfully in place, attention is now being paid to a second phase of development in order to improve other segments of the city.

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AFTER 1854, when a newly built railroad opened, large numbers of Philadelphians began arriving in Atlantic City. Even then a trip to the shore constituted an East Coast adventure. And in its origins, as historian Charles Funnel makes clear, its temper was set:

> Bedizened, gauche, extravagant, conniving, ingenuous—Atlantic City from the start depended on the lower middle class for its success, and was the charming preposterous artifact of its customers' tastes.[1]

The Queen of the Jersey Shore may have aspired to be another Newport, but its attractions were unique, closer to Coney Island if comparisons are made. Over the last century, rolling cars and ferris wheels, the Million Dollar Pier and dime-a-dance halls, diving horses and Miss Americas twist together like so much salt water taffy.

Between 1890 and 1920 Atlantic City displayed the optimistic, expansive spirit of America. It was the American dream writ large, a resort town in which elite pleasures could be purchased by the common man. By the 1930s, however, the illusions of success and social mobility began to fade in Atlantic City as did the American dream. Stansfield[2] describes the resort cycle in Atlantic City and the pattern of decline as "representative of a general resort experience." After World War II Atlantic City continued its slide, perhaps due to changing tastes or access to affordable air travel. Whatever the reasons, by the early 1970s, vacationers and conventioners were bypassing Atlantic City in favor of more exotic destinations. Atlantic City's location and special pleasures notwithstanding, to many the trend seemed irreversible.

Data from the 1970 census support that conclusion and illustrate Atlantic City's depressed condition. The pervasive poverty spawned two major ghettos: elderly and black. The average unemployment in the city was 8.8 percent, compared to 4.4 percent in Atlantic County, and in some sections the rate was over 20 percent. Two-thirds of the year-round housing stock was built before 1939. Data from the 1980 census indicate a continuing trend. Since 1970 in the Inlet of Atlantic City, which is the poorest but now the most sought-after area, 50 percent of the housing stock has been lost in the northern section and 20 percent in the southern. Within the Inlet the population decreased by 50 percent between 1970 and 1980, while overall loss of population in Atlantic City was 16 percent, dropping from 47,000 to 40,000.

The factors comprising the resort cycle at its ebb in Atlantic City include an unemployment rate that approached 20 percent, a decline in housing stock, an outmigration of population, a 40 percent reduction in hotel rooms, a fading visitor and convention trade, a decrease in luxury tax receipts, a 15 percent reduction in commercial receipts, and an almost complete absence of private investment.

By the mid 1970s Atlantic City began searching for a remedy. The proposed cure to revive the resort was casino gambling. This activity's prime importance was that it could be concentrated on the Boardwalk. For as local wags had it, "So goes the Boards, so goes the city."

1. Charles Funnel, *By the Beautiful Sea: The Rise and High Times of That Great American Resort, Atlantic City* (New York: Alfred E. Knopf, 1975), p. 24.

2. Charles Stansfield, "Atlantic City and the Resort Cycle: Background to the Legalization of Gambling," *Annals of Tourism Research* (Apr.-June 1978).

THE CASINO REFERENDUM: YES OR NO?

Before a casino referendum could pass in New Jersey, voters would have to be convinced that legalized gambling was free of its assumed associations with organized crime. Dombrink[3] reports that no other issue, neither compulsive gambling nor the regressivity of legalized gambling as a taxation device, poses problems for the legitimation of casino gambling as does the question of organized crime involvement. Skolnick[4] had already demonstrated the real difficulties in organizing and regulating the Nevada gaming industry, and it was hoped that things would be different in New Jersey.

Dombrink asserts that "the legitimacy and reputability of the organized crime-stigmatized legal casino industry . . . depends upon the political will of powerful political and economic elites." In 1972, before the New Jersey State Gambling Study Commission, the mayor of Atlantic City stated,

> [Casino gambling] . . . will be an effective weapon to fight organized crime by removing to some degree funds from the organized crime pool. . . . Consequently more entrepreneurs and politicians are looking to the gambling market for profits and revenues that could help solve chronic city and state financial crises.[5]

Despite these assurances, the legalization of casino gambling in Atlantic City suffered a false start. A 1974 referendum was defeated by New Jersey voters. Three major reasons were given for the setback:

—the lack of strong controls over casinos and their development;

—the absence of any limitation on the geographical placement of casinos within the state; and

—public ownership of the casinos.

In 1976 pro-casino forces mounted a second, well-financed campaign. The Committee to Rebuild Atlantic City received more than $1.2 million in contributions and outspent their opponents 60 to 1. This time the proposed bill corrected the three major deficiencies with

—the creation of a strong Casino Control Commission;

—the location of casinos only in Atlantic City;

—the private ownership and state regulation of casinos.

Throughout 1976 pro- and anti-casino forces waged battle. The strongest anti-casino organization, Casinos? No Dice!, was sponsored by the New Jersey Council of Churches. Reservations were also expressed by the state attorney general and the U.S. attorney for New Jersey. In addition, a major obstacle facing pro-casino forces was the publication of the preliminary findings of a three-year federal study entitled *Gambling in America.*[6] The release of this report during the casino campaign was obviously not coincidental and, among other things, it

3. John Dombrink, "Outlaw Businessmen: Organized Crime and the Legalization of Casino Gambling" (Ph.D. diss,. University of California, Berkeley, 1981).

4. Jerome Skolnick, "The Dilemmas of Regulating Casino Gambling," *Journal of Social Issues*, 35:3 (1979).

5. Mayor Joseph Bradway, quoted in New Jersey State Gambling Study Commission, *Public Hearings*, Oct. 1972.

6. Commission on the Review of the National Policy toward Gambling, *Gambling in America* (Washington, DC: Government Printing Office, 1976).

downplayed the significance of casino revenue in redeveloping ailing cities. It cited the enormous costs of support services for the casino industry, which would defer revenue from the development of the noncasino areas of a city. Finally, it pointed to social problems such as increased crime or compulsive gambling that might arise if casinos were placed in populous areas.

In reply, pro-casino supporters countered that Atlantic City was not urban in the sense described in the report. It was, instead, isolated geographically and therefore an ideal location for a gambling resort. Further, they argued that the moral issues were overstated compared to the economic benefits that would accrue to the city as a result of casino revenues.

On 2 November 1976 the voters of New Jersey amended their state constitution and legalized casino gambling in Atlantic City by a margin of 56 percent in favor, out of 2.6 million votes cast. That night there was dancing in the streets of Atlantic City, and locals likened it to the end of World War II. The next morning *The Press* of Atlantic City shouted, "CITY REBORN!"

In the midst of the jubilation, however, other, more sobering issues were raised. What would be the impact of casino gambling on the social and cultural fabric of Atlantic City? How would the differing interests of the city, the state, and the casinos be reconciled? And, significantly, which sector would lead the revitalization?

DEVELOPMENT AND REDEVELOPMENT IN ATLANTIC CITY

In the seven years since the passage of the casino referendum an intense debate has arisen concerning Atlantic City's redevelopment as measured against the casino industry's development. Locally the pro-casino *Press* concedes that progress within the city has been slow:

> True, a drive around downtown Atlantic City and into some neighborhoods is discouraging. Little has changed in five years. If anything, some areas are worse. But it would have been overly optimistic to expect an entire city to be torn down and rebuilt in just five years.[7]

This is a significant admission and a revision of earlier expectations to conform with the realities of casino development in Atlantic City. Nowhere, when the gambling referendum was debated and then passed in 1976, was there talk of "an entire city to be torn down." Of course there would be change associated with the revitalization, but redevelopment and rehabilitation were still operative concepts.

The period 1976 to 1983 has been called "Phase One" or the "First Wave." The loss of neighborhoods along with the inevitable victims of so-called progress—the poor, the elderly, and ethnic minorities—has become an accepted and legitimated fact. The First Wave underscores the lack of control by government and community groups within Atlantic City; it appears that rapid development in the casino sector has directed the pace of noncasino redevelopment. "Phase Two," or the "Second Wave," with nine casinos and a new government in place, is now designated as that period when a plan for the city may be at hand.

In retrospect, the pattern of Phase One reflects the priorities of historic urban planning strategies in Atlantic City that have consistently stressed

7. *Press* (Atlantic City), 26 May 1983. Copyright 1983 by The Press. Reprinted by permission of the publisher.

Boardwalk development before inner city development. At a 1982 conference at Stockton State College the judgment of the chief policy planner for the Casino Control Commission, Barbara Lampen, described the result:

> gaming was [supposed to be] merely a component of the "new" Atlantic City, not its dominant theme. [But] . . . the development efforts in Atlantic city to date have focused almost singularly on establishing the gaming industry.[8]

At that conference political scientist Charles Tantillo was more critical:

> The "tool" has not worked. Atlantic City's poor are still poor; and the urban decay which gripped the city prior to the enactment of casino gambling continues today, unchecked.[9]

His analysis refutes the popular Boardwalk trickle-down theory, which is "the deeply ingrained and historic belief that the key to a healthy city was a thriving Boardwalk industry." In an extensive review of the master plan's six-year project spending, Tantillo concluded that "the main thrust of the baseline projects was the upgrading of the city's physical infrastructure to support the gambling industry."[10]

This bias has so dominated thinking in Atlantic City that its participation in the Model Cities Program was terminated by the Department of Housing and Urban Development in 1968. The city allocated over 97 percent of its funds to Boardwalk and convention-oriented physical development and thus failed the federal test of comprehensiveness. Post-casino planning demonstrates the same logic and appears to validate the National Gambling Commission's concern that infrastructure expenditures will be biased in favor of casino development. Gladstone Associates' master plan for Atlantic City asserts this direction:

> With the opening of Resorts International, the revitalization of Atlantic City began. Central to the continued revitalization is the growth and development of casino hotels. . . . Substantial public investment will be required to accommodate this growth.[11]

CASINO SUCCESS: THE NUMBERS

In 1983 the spectacular growth of the casino industry during Phase One was demonstrable. Atlantic City was the most visited city in the United States in 1981 and 1982, averaging over 20 million tourists each year. The average daily win for all nine Atlantic City casinos was $4 million. Gross casino revenue has continued to increase every year since 1978, when it totaled just over $134 million. By 1982 the figure had jumped to almost $1.5 billion, and in 1983 the casinos took in over $1.8 billion. With a tenth casino scheduled to open in

8. Barbara Lampen, "The Role of Legalized Gambling in New Jersey—A Regulator's Viewpoint" (Paper delivered at the Conference on Atlantic City, Tourism, and Social Change, Stockton State College, Pomona, NJ, 3-5 May 1982), p. 2.

9. Charles Tantillo, "Casino Gambling and Urban Redevelopment: The Atlantic City Experience" (Paper delivered at the Conference on Atlantic City, Tourism, and Social Change, Stockton State College, Pomona, NJ, 3-5 May 1982), p. 1.

10. Charles Tantillo, "A Unique Tool of Urban Redevelopment: Casino Gambling in Atlantic City" (Rutgers, NJ: Center for Urban Policy Research, Rutgers University, 1981), p. 23.

11. Gladstone Associates, "A Six Year Capital Improvement Plan: Cost and Funding Analysis: Atlantic City, New Jersey, 1979-1984" (Prepared for the Atlantic City government, 1978), p. 5.

1984, the projected casino gross revenues are $2.1 billion, which will surpass the gross casino revenues of Las Vegas.[12]

The success of the casinos, even with the Boardwalk development as an accepted priority, was not automatically ensured. The year 1980 was not profitable for the casinos. They felt that the government had intruded into areas that should have been under the control of management, and in some cases they threatened to abandon projects or wait for legalization in other jurisdictions if the situation was not rectified. The casinos' profitability was to be linked with their deregulation, and in this regard 1980 was a watershed year.

In the succeeding year the Casino Control Commission began to deregulate the casino industry. Boardwalk development and casino profitability became the cornerstones of Atlantic City revitalization. The chairman and the vice-chairman of the commission indicated that the commission should avoid telling sophisticated business persons how to operate their companies. Deregulation included changes in the rules of various games, reducing the number of minimum bet tables, raising the minimum blackjack bet from $2 to $3, and other issues of management. The executive director of the Atlantic City Casino Hotel Association commented a year later, "The improvement this December [1981] over December 1980 can be traced directly to the relief we have gotten from the Casino Control Commission."[13]

As profits in the casino industry grew, increased tax revenues accrued to Atlantic City and the state of New Jersey. In 1977 the casinos paid $2.1 million in property taxes to the city, which represented 9 percent of total Atlantic City revenue collected. By 1982 the casinos were paying $40.3 million to the city, which now represented 59 percent of property tax revenue. The Atlantic City luxury tax and the New Jersey state sales tax increased from $3.6 million in 1978 to $8.2 million in 1982.

From the industry's point of view the initial promises had been fulfilled. The increase in tax ratables greatly increased the city's bonding capacity and would enable the city to make long-needed repairs. The tax base jumped from $314 million in 1975 to $1.5 billion in 1982 and will increase even more as new casinos are added along with noncasino projects such as luxury condominiums and shopping malls.

In other areas the numbers are equally impressive. Perniciaro and Elmore's review[14] of the casino-hotel labor force cites dramatic changes. In 1976 the Atlantic County labor force totaled 81,300; by 1983 this figure had risen to

12. *Growth Trends Report: First Quarter 1983* (Atlantic City, NJ: Atlantic County Division of Planning, 1983).

13. Martin B. Danziger, "Ancillary Industries: The Regulatory Agency's Responsibility," in *The Gambling Papers: Proceedings of the Fifth National Conference on Gambling and Risk Taking* (Reno: Bureau of Business and Economic Research, University of Nevada, 1982), vol. 8. On the complexity of licensing and regulation, see, for example, William J. Downey, "Problems in Determining the Suitability of a Casino License Applicant: Legal and Ethical Issues," in *Gambling Papers*; Philip Satre, "A Report on the Impact of the New Jersey Casino Control Act and Related Regulations on Harrah's Marina Casino Hotel," in *Gambling Papers*; and David Gardener, "Changing the Rules: Regulation and the Atlantic City Casino Industry," in *Travel and Tourism Research Association Proceedings* (Salt Lake City: Bureau of Business Research, University of Utah, 1981).

14. Richard Perniciaro and Elizabeth Elmore, "Economic Change in Atlantic City: A Housing and Labor Analysis" (Pomona, NJ: Stockton State College, 1983).

119,000. These figures are largely attributable to the casino industry. It is estimated that each casino-hotel employs from 3000 to 4000 people. In 1982 the nine operating casinos employed over 30,000 people with a payroll of over $438 million.

There have been many accusations regarding the distribution of jobs; in truth, the accusations have been difficult to verify. Certainly in the beginning, Atlantic City residents felt that outsiders were employed in the premium jobs. Casinos were granted waivers by the Casino Control Commission when it could be demonstrated that New Jersey applicants did not possess the technical skills for a particular category. While there may be a small number of circulating elite personnel, there can be no doubt that New Jersey residents occupy the majority of positions. A recent survey indicated that 75 percent of casino personnel now reside in Atlantic County and 25 percent in Atlantic City.[15]

The evaluation of occupational categories held by Atlantic City residents is more complicated. Traditionally theirs had been a three-month summer economy with high unemployment in the winter, and a 12-15 percent unemployment rate when averaged for the entire year. Many Atlantic City workers were employed in construction or hotel service jobs, and they have benefited directly from the year-round economy that arrived with the casinos, although there have been some layoffs in the colder, wetter winter months. Whether Atlantic City residents have been given access to the higher-paying casino jobs remains an unanswered question. Finally, the 1983 unemployment rate in Atlantic City stood at 10.2 percent. No doubt this figure reflects to some degree national trends, but it is also clear that the gambling industry has lured many to Atlantic City, where they have then been unable to find employment.

The Casino Control Act stipulates that 8 percent of casino revenues are to be taxed and placed into a fund to aid the elderly and handicapped. In 1978 the proceeds of the casino revenue tax were $10.7 million, and in 1982 the figure rose to $119.4 million. The program had initial problems as some of the money was appropriated for home-owner rebates, but the present governor of New Jersey appears committed to the original intent of the legislation and recently projected that senior citizens might expect to see rebates of $175-$200 toward utility bills. In addition, the money can be used for medical prescriptions and property tax relief.

The Casino Control Act also provides for a 2 percent reinvestment in Atlantic City and elsewhere when a casino's gross revenue exceeds total investment. The money is required to be spent on tourism, recreation, transportation, or other projects that will promote the health and well-being of the state. For the first three years of casino operation 50 percent of the reinvestment must be made in Atlantic City and 50 percent in other municipalities in the state. Thereafter, the percentage shifts to 25 percent in Atlantic City and 75 percent in other municipalities.

This provision is extremely controversial. At present there has been no reinvestment in Atlantic City by means of this statute. Some explain its failure as further evidence of the historic Boardwalk development pattern. Others claim, citing the large land holdings of

15. Casino Hotel Employee Housing Needs Survey (Atlantic City, NJ: Atlantic County Division of Planning, 1982).

the casinos, that it is the intention of the industry to build off the Boardwalk only when they can be assured of the profitability of their investment. This would seem to negate investment in the redevelopment or rehabilitation of low-density residential properties that would stabilize remaining neighborhoods.

The casino industry has lobbied extensively for the removal of the 2 percent reinvestment provision. What other industry, they ask, is required to make such a contribution? Instead the casinos have taken advantage of a loophole in the law that allows them to hold their money for five years and then pay a 2 percent added tax. The industry has determined that, until the provision is eliminated, it is cheaper to pay the tax than reinvest.

CASINO SUCCESS: THE PROBLEM OF LAND SPECULATION

The impact of massive casino development is most visible in the battle for land in Atlantic City. The city's business community and residential population has felt the pressure most directly. Rising property taxes and selective reassessment along with uncontrolled land speculation have combined to drive out many original Atlantic City landowners and renters.

In 1983 the casinos owned 1000 of the remaining 3000 developable acres in Atlantic City. Anastasia discovered inequities in the tax assessment process that he claims have aided developers and speculators at the expense of residents.[16] Between 1978 and 1980 he recounts the history of a desolate parcel of land in the Inlet that was sold three times, first for $151,000, then for $425,000, and finally for $1.1 million. Land that at one time had been $8-$9 per square foot has been recorded as high as $100-$150 per square foot. During this period, home owners in other parts of the city were receiving reassessments that doubled and tripled their tax bills. Yet there was no reassessment in the Inlet. This particular piece of land remained valued at $20,000 with a tax bill of $800; similar parcels elsewhere were taxed at $3000-$4000.

Why was this the case? Anastasia argues that the policy of redevelopment and rehabilitation in the needier parts of the city was abandoned in favor of a policy that encouraged the casino development attractive to land speculators. In the South Inlet, for example, one casino purchased land for $3.5 million and was assessed $230,000; this deprived the city of over $135,000 in taxes. Anastasia concludes, "For three years the city literally subsidized speculators in the area, while poor residents were driven from their homes and middle class residents taxed out of theirs."[17]

In 1982 the New Jersey State Court ordered the first reevaluation of property in Atlantic City in 20 years. Two outcomes stirred protest: first, the suggested reduction of the casino industry's percentage contribution to total Atlantic City tax revenues from 50 percent to 41 percent; second, the increase in tax assessments on noncasino properties located near the casinos.

The impact of casino development on the local business community remains a sore point. Many felt that casinos would revitalize the central commercial dis-

16. George Anastasia, "How Atlantic City Crapped Out," *Philadelphia Inquirer*, 8 Nov. 1981.

17. Ibid. Copyright 1981 by The Philadelphia Inquirer. Reprinted by permission of the publisher.

trict, which, of course, had been decaying long before casinos arrived.

Such revitalization has not occurred. Visitors rarely leave the restaurants and boutiques in the casinos. Furthermore, the Casino Control Commission reports that the casino industry spends over $300 million a year in goods and services to run their businesses and estimates that over 60 percent goes to New Jersey firms. Yet most of the money is obviously being spent outside Atlantic City. For example, of the 383 businesses that list themselves as food suppliers to the casinos, only 75 have Atlantic City addresses, and most of those are small sandwich shops rather than large-scale purveyors. Of the 221 office supply and furniture dealers, only 16 are local.

The Conway Atlantic Avenue revitalization study[18] is instructive. Local market trends indicate that enough commercial office space exists to meet the demands of banking, government, casino, and other professional industries. For retail business, the demand is low. Little of the nearly $2 billion invested in the city over the last six years improved the lot of the merchant class. The Conway study cites an antiquated retail stock and a decaying and increasingly crime-ridden streetscape as reasons for lack of tourist traffic and low investment.

The Atlantic County Division of Economic Development reports that in 1978 the retail sales figure for Atlantic County was $722 million, and by 1982 that figure had reached nearly $1 billion. However, in Atlantic City retail sales declined from $256 million in 1978 to $254 million in 1979, and only recently have they rebounded slightly. In 1979 there were 116 apparel stores in Atlantic City; by 1981 that figure was down to 61. Similarly, the number of eating and drinking establishments in Atlantic City declined from 240 to 191. Between 1980 and 1982, 143 new retail stores opened in Atlantic City, yet only 53 opened in off-Boardwalk sites, and of those only 5 located in what could be considered downtown.

Many argue that the revitalization of the commercial district in Atlantic City must be linked to the question of housing. Atlantic City must be a thriving residential community that will cause the downtown to grow, and from that growth it might be able to attract visitors off the Boardwalk.

Perhaps no other issue has aroused such passion as the question of housing. It may be used as a final example of the contradictions associated with casino development and Atlantic City redevelopment. One must distinguish between owners and renters and between residents and speculators.

The loss of housing in Atlantic City and the deteriorated remaining stock has been mentioned. Uncontrolled land speculation and selective reassessment in Phase One have combined to exacerbate the situation to the point at which the poor, the elderly, and ethnic minorities have found it increasingly difficult to maintain their neighborhoods.

In addition to the preceding practices, the battle for land often takes place through the mechanism of rezoning. Quite simply, it is more profitable to own a parcel that is rezoned for classification as high-density residential or casino commercial than it is to own a low-density residential one. Properties have been allowed to fall into disrepair

18. *Atlantic Avenue Revitalization Strategy*, prepared for the city of Atlantic City, Housing Authority and Urban Redevelopment Agency (Atlantic City, NJ: W. G. Conway, Apr. 1982).

or have become targets for arsonists as rezoning variances are sought. This has had the effect of dislocating large numbers of low-income renters in Atlantic City, where close to 70 percent of the residents were renters, compared to a nationwide average of 35 percent.

A comprehensive survey[19] of North Inlet residents, resident property owners, and nonresident owners summarizes the contradictory interests within Atlantic City. When asked about their preferences for rezoning, nonresident owners selected high-density residential or commercial classifications. This would make their property more valuable, and they would be glad to sell and move out. Middle-income renters and resident home owners opted for mixed zoning, and most were "committed to remaining in the North Inlet Neighborhood." Finally, those least likely to benefit from rezoning were the low-income renters. Their concerns were the deterioration of buildings, rising rents, and the ability to remain in their homes.

CONCLUSION

The economic decline in Atlantic City appears representative of a generalized cycle of resort experience. The mechanism of casino gambling to revitalize the city has had mixed results. Most apparent is the contradiction between successful casino development and a lagging noncasino redevelopment. This is seen most vividly in the failing commercial business district and in the vacant, deteriorated lots of the remaining developable acreage.

The pattern of development can be accounted for in several ways. First, historically the development of the Boardwalk has always taken precedence over the inner city. Second, the profitability of the casino sector was deemed to be a cornerstone of the noncasino revival, and the concomitant state deregulation of the industry ensured its success. Finally, the failure of state and local governments to intervene immediately following the casino referendum enabled uncontrolled speculation, combined with instances of selective reassessment and unplanned rezoning, to rapidly change the ownership of many key properties and drive out significant numbers of original residents.

A cross-cultural review of tourism development indicates that Atlantic City's situation is not unique. Emmanuel deKadt concludes that in most cases, industry profit precedes host country redevelopment:

> The main emphasis of tourist plans and policies has been upon increasing gross returns from this activity.... Less attention has been given to maximizing net returns, let alone ensuring that those returns are distributed in a fashion which corresponds to stated objectives regarding income distribution.
>
> Where tourism planning has been undertaken it has often been remedial, attempting to intervene after much development has taken place.[20]

Phase Two planning and redevelopment in the noncasino sectors of Atlantic City is, of course, possible if immediately undertaken. Further delay will completely alter the social and cultural character of the resort. The action will be remedial so far as much development

19. *A Survey among Property Owners and Residents of the North Inlet Area* (Atlantic City, NJ: A. J. Wood Research, 1981).

20. Emmanuel deKadt, *Tourism: Passport to Development?* (New York: Oxford University Press, 1979), p. 21.

has taken place and large portions of the original population are gone. Forceful measures must be undertaken by the state and local government to stabilize the existing situation.

Key to revival of the central business district is an infusion of seed money and an overall urban design strategy that is coordinated by both the public and private sectors. A reconceptualization of redevelopment is needed that involves those segments of the community beyond the Boardwalk. The image of Atlantic City as only a boardwalk with a resident service population should change.

With casino profitability assured, state and local government must develop and enforce a comprehensive redevelopment strategy to counteract the impact of land speculation, selective reassessment, and unplanned rezoning. A recent housing market study[21] suggests many possible measures for neighborhood preservation and housing development. Some of the key features are

—preservation of existing stock through vigorous enforcement of housing codes to prevent deterioration;

—strong anti-arson measures;

—tax benefits for rehabilitation and homesteading;

—land banking by the city;

—tax increment financing to acquire blighted land; and

—a land-acquisition fund to reduce land costs due to speculation by absorbing the difference between the market cost of land and the maximum land cost that is affordable for development.

Atlantic City, while perhaps a unique resort, does not present a unique case of the contradictions of resorts or, for that matter, urban revitalization. It is, in fact, a textbook example of how rapid, relatively unrestricted growth in the newly developing sector of the tourist economy has had the effect of directing the pace of the host's redevelopment. In the process a situation of dependency has been created.

Phase One in Atlantic City represents a consolidation of the casino industry within the resort. Phase Two, if it succeeds, will represent the ability of local community groups and government to regain control of the processes of urban redevelopment and stabilize what remains.

21. *Report on the Housing Market Survey* (Atlantic City, NJ: American City Corporation, 1983).

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Significant Influences on the United Kingdom Casino Industry since 1960

By NIGEL KENT-LEMON

ABSTRACT: The last 24 years have seen the introduction of casinos in the United Kingdom, first by mistake as a result of two acts of Parliament in 1960 and 1963, and then on purpose by the 1968 Gaming Act. We have also seen the pressures placed by high-rolling Middle Eastern gamblers on the London casino owners to break the law and the resulting cataclysmic effect on many of the casinos. The industry has survived a royal commission and a report by the Monopolies Commission. Nigel Kent-Lemon analyzes these and other significant events relating to the United Kingdom casino industry since 1960.

Nigel Kent-Lemon is a chartered accountant who qualified in 1970 and has spent five years as a management consultant, interrupted by a period of eight years as a senior executive of a United Kingdom casino company. Although his consultancy activities have included an assignment to run a residential health center, his main activity is in the casino field. He has contributed two articles to Public Gaming *magazine and one to* Gambling Times.

THE stance adopted by the U.K. government in relation to casinos can be characterized as a man holding one hand out for alms while holding his nose with the other. Although I have seen a cabinet minister gambling regularly in a casino during the run up to a general election, the official line by all political parties has been that casinos should be legalized to discourage illegal gaming and to collect taxes out of the casino owners' revenue.

Mr. William Whitelaw, then home secretary, summarized the Conservative government's attitude in a debate in the House of Commons on 29 October 1979.[1] He said,

> The vast amount of money that changes hands, and the possibilities that that provides for exploiting human weakness, are such that firm controls are needed to reduce the scope for crime and, while not encouraging the growth of gambling, we must try to ensure that those who indulge in it get a fair deal.

In the same debate, a distinguished former Labour cabinet minister, Mr. Bob Mellish, had this to say about taxation:

> Let us "do" the casinos and tax them as stringently as possible. If they scream for mercy there is only one answer. They can shut up shop and go home.

He went on to say, "If every casino were to shut down it would probably do Britain a great deal of good."[2]

It is in this context that casinos have developed from their early, shaky legal beginnings in 1960 to their current state. I hope to demonstrate the influences and changes by examining the sequence of events, in as near to chronological order as possible.

THE GAMING ACTS: 1960, 1963, AND 1968

The 1960 and 1963 acts[3] were never intended to introduce legal casino gaming in the United Kingdom. The 1960 act provided exemption from illegal gaming for a club making a fixed advance charge. In addition to this, section 32, subsection 1 of the 1963 act stated that "gaming shall be lawful if . . . the chances in the game are equally favourable to all the players." This suggested to the prospective casino proprietor that chemin de fer was legal since all players do indeed have an equal chance, although by means of table money they were heavily charged for the opportunity. Moreover, the proprietor could take part in the game as a shill to promote it—there being no provision to the contrary.

At that time casinos started to open up all over the country. Under the 1963 act they were required to be private membership clubs, but there were no other special regulations and there was no board of control. However, the proprietors were not content to introduce only uncontentious games—such as chemin de fer—but decided that roulette and other banker's games could also be played. They argued that each of the players had an equal chance—which was true—and that the player had the same chance as the banker if he or she were offered the option of becoming banker.

This proposition was tested in the courts during 1966 and 1967, with the

1. See Great Britain, *Parliamentary Debates* (Commons), 5th ser., 972 (54), col. 84 (1979).
2. Ibid.
3. *Betting and Gaming Act 1960* and *Betting and Lotteries Act 1963* (London: Her Majesty's Stationery Office [HMSO]).

outcome fluctuating throughout. When the court's decision was unfavorable to the casinos, all sorts of complicated variations to the rules were introduced. Finally, in a case entitled *Kursaal Casino Ltd. and Others* v. *Crickett*, in July 1967,[4] the lord chief justice ruled in favor of the casino owners. Their sigh of relief was short-lived, since the ruling led to the introduction of the 1968 Gaming Act.[5] This was a far-sighted piece of legislation that radically changed the whole course of casino gaming. It reduced the number of casinos from over 1000 unregulated, often crime-ridden clubs to 120 properly controlled casinos.[6]

The 1968 act has two principal functions. One is to regulate the conditions under which gaming takes place, and the other is to define the procedures to be followed before a new casino license is granted. The second of these has proved to be a continually developing process, and so I will start with the first.

In order to ensure that the act is being observed by the casinos, it was necessary to create the Gaming Board for Great Britain. This government body has right of access to all casinos at all times and receives statistics from them. The board may not prosecute a casino if it discovers a breach of the act, but it may recommend that the police should do so. The police may also initiate action without the knowledge of the board.

In order that the board should be able to effect control, it was necessary to define the areas in which legal casinos could operate. After some vacillation, a regulation was passed by Parliament restricting casinos to towns with a population of 125,000 or more.[7] One or two exceptions were made for tourist areas. In London the casinos were confined to an area that principally includes Westminster, Chelsea, and Kensington.

The casino games were restricted to roulette, blackjack, craps, and baccarat. Detailed rules for the games were published under a separate regulation.[8] The purpose of defining the rules was to eliminate mug, that is, stupid, bets and in the case of roulette to make sure that the game is played with one zero. All staff employed to deal or supervise the games must be certified by the Gaming Board.

Each casino is required to be a membership club, and new members must signify their intention to game in writing on the casino premises at least 48 hours before gaming for the first time. This aspect of the law was introduced to protect U.K. citizens from impulse gambling, but its effect has mainly been felt by tourists.

Casinos in the United Kingdom are rather colorless compared with their flamboyant counterparts in the United States. The only other activities allowed on the premises are restaurants, bars, and card rooms—for poker, kalooki, and so forth. No live music is permitted. For the casino games, the opening hours are restricted to the period between 2 p.m. and 4 a.m., although there are some minor exceptions. Credit for gaming is illegal; any check tendered must be

4. *Kursaal Casino Ltd. and Others* v. *Crickett*, [1967] 2 *Weekly Law Reports* 1227.

5. *Gaming Act 1968* (London: HMSO).

6. Great Britain, "Report of the Gaming Board for Great Britain 1969," p. 13, presented pursuant to the Gaming Act 1968, c. 65, §50.

7. *Gaming Clubs (Permitted Areas) Regulations 1971* (London: HMSO).

8. *Gaming Clubs (Bankers' Games) Regulations 1970* (London: HMSO).

banked immediately and may not even be redeemed from winnings.

There are many other minor regulations, but I hope that this brief rundown of the laws now applicable has set the scene for later developments.

On 1 July 1970 those casinos whose licenses had been granted under the new act opened, and those who had failed to obtain a license, either because they were not in a permitted area or through inability to pass the stringent Gaming Board qualifications, closed. Only 53 towns qualify to allow casinos, and many of those are effectively part of the large conurbations of Manchester and Birmingham. Since 1 July 1970, the total number of casinos in the United Kingdom has remained almost static, although there have been dramatic changes in individual towns, notably London.

LONDON

In the early 1970s London saw little change from the conditions in the 1960s. All of the casinos in the outer suburbs closed, but those in the center mostly managed to obtain new licenses and continued trading. To begin with, the casino owners who suffered were those who had built up their businesses by playing against their members at chemin de fer. This practice was discontinued under the 1968 act. One prominent owner, believing that profit henceforth would be hard to come by, was prompted to sell his casino.

It was at this moment that the Arabs arrived in London. The rapidly rising oil prices had provided vast fortunes for the wealthy few. English was the second language of these Arabs, and the close cultural ties with the United Kingdom as well as the much publicized liberal laws and attitudes here combined to tempt them to avoid the hot summers in the gulf and take up temporary residence. Alcohol, girls, and gambling are all strictly rationed or forbidden in the Middle East. London seemed like paradise.

For the casino owner the effect was immediate and electric. Maximum limits were raised and millions of pounds were won and lost by the casinos in a single evening.

The Arabs were by no means stupid, however, and they realized that the money they had to offer gave them power. They were also irritated by the strict rules governing the casinos. They liked to drink alcohol at the gaming tables, which is not permitted; they wanted to be able to game immediately, without the 48-hour restriction; and they wanted to ignore the credit and check regulations. The method they used to obtain these concessions was to play one casino off against another, claiming that they had received the concession elsewhere. There was also a temptation on the part of the owners to use illegal means to attract or trace the gamblers.

Much has been written about the expensive failures that occurred in the late 1970s, and I would be wrong to seek to defend organizations that admitted many and repeated breaches of the law.[9] Fortunately, those who suffered were the owners and staff of the casinos concerned; the general public was not involved in the illegalities and it has never

9. Between 1979 and 1981, some of the casinos of three major London groups—Coral, Ladbrokes, and Playboy Ltd.—were closed for various violations of the 1968 Gaming Act. See, for example, David Miers, "The Mismanagement of Casino Gaming," *British Journal of Criminology* (Jan. 1981).

been suggested that it was affected. The people who benefited were the Middle Eastern members who prompted the illegal acts originally. There is no sanction against them in the 1968 act, and many of them are still gambling in London today.

It is also worth mentioning that the law only provides for a casino license to be removed. There is no intermediate course of action for the authorities to take. It is true that this removal is sometimes by failure to renew or by cancellation and can be accompanied by disqualification of the premises. This really amounts to semantics, however, for if the penalty for murder is death, then whether that takes the form of hanging, electric chair, or guillotine becomes almost irrelevant.

BRITISH CASINO ASSOCIATION CODE OF CONDUCT

The Casino Association is the representative body for casinos in the United Kingdom, and the vast majority of casinos belong to it. Naturally the events of the late 1970s, in which over 50 percent of the association's members in London lost their licenses, proved a considerable embarrassment. In 1974 the association had issued a code of conduct, which was at that time largely ignored by the members.

In March 1980, under very different circumstances, a new code[10] was issued requiring members—in Clause I—to conduct their affairs with due regard to the spirit and intention of the 1968 Gaming Act, as well as to the letter of the law. I was a member of the council of the association at the time, and we felt that this was the most important aspect of the problems experienced in the industry. Other clauses in the code merely strengthened Clause I by being specific in relation to certain aspects of the law.

The code is frankly more strict than the 1968 act, and I can only hope that the current owners and managers of casinos have not been lulled into a false sense of security by recent lack of action by the police and Gaming Board. Rumors are currently circulating to the effect that credit regulations may be being stretched by allowing credit to be given in a casino by an outside agency supposedly unconnected with the casino in question. If this is true and comes to the attention of the Gaming Board, there is no doubt in my mind that severe action will follow, probably leading to loss of gaming licenses.

ROYAL COMMISSION ON GAMBLING

When the U.K. government faces a dilemma in a particular field or industry and is either unsure of the action it should take or wishes to play for time, it appoints a royal commission to look into the matter. In February 1976 Lord Rothschild became chairman of the Royal Commission on Gambling, which issued its final report[11] in July 1978. The report is nearly 600 pages long, and only a small part relates to casinos. With one exception, the commission appeared to accept the industry as it stood and made only some relatively minor recommendations. The major change that was suggested related to the form of taxation.

Since the introduction of the 1968 act and under a regulation passed subse-

10. British Casino Association, "Code of Conduct" (London: Empire House, May 1974 and Mar. 1980).

11. Royal Commission on Gambling, *Final Report* (London: HMSO, July 1978).

quent to it, casinos were taxed on the basis of the "rateable" value of the premises and the number of gaming tables in use.[12] By 1978 the maximum annual rate of tax payable was $50,000 per table for a casino with the highest rateable value. Other than taxes applicable to all U.K. businesses, this was the only significant extra tax payable by casinos. Since a casino with 10 gaming tables can show an annual profit of $20 million, the table tax was clearly inadequate.

The royal commission ignored the extraordinary anomalies in this type of tax. It suggested that the tax be multiplied by eight, but that the casinos should be able to recover the extra tax by a levy of up to—at the casino's option—7½ percent on chips exchanged for cash or checks by the gamblers. This was a completely ludicrous suggestion that set back the plans for a higher level of taxation by two years. Fortunately, the government realized that the method proposed was open to limitless abuse by the casinos as well as allowing for unfair competition between them. It therefore proposed, and has now enacted, a fair and sensible system for taxing casinos on their gross wins.[13]

New casino licenses

One of the few recommendations made by the royal commission that has now become law is that the prospective casino owner may now apply more frequently for a new license. The previous procedure, under the 1968 act, allowed for only one licensing session each year. New license applications can now be heard quarterly. There are, however, many hurdles to be jumped before a new license can be achieved.

Before the licensing court can hear an application, the prospective casino owner needs to obtain a certificate of consent from the Gaming Board. While this procedure is less rigorous in the United Kingdom than in Atlantic City, it is nonetheless necessary to prove several important facts: the premises must be suitable for use as a casino; the owners must have the financial resources available and be of good character; and the owners must prove that either they or their employees are capable of managing the casino.

For most serious applicants, the certificate of consent will be the simple part of obtaining a casino license. The next stage is to make application to the court for grant of the license. At this stage the local competitors are able to make their objections, which will normally be on the grounds of demand. Under the 1968 Gaming Act it is necessary for the applicant not only to prove that there is substantial demand for a casino in the area but also that the demand is not satisfied by casinos already serving the area. If casinos already exist, then the first point is self-evident. In order to prevent increased competition, these other casinos will try hard to prove that they already cater to the demand.

In all parts of the United Kingdom, casinos can be a highly lucrative business. Inevitably, then, the lawyers acting for prospective competitors have dreamed up all sorts of reasons for the magistrates to kill an application before it even reaches the stage of proving demand. These technical objections normally relate to the procedure under the 1968 act for informing the general public about a new casino license application. Fortunately, this type of objection

12. *Gaming Clubs (Permitted Areas) Regulations.*

13. *Gaming License Duty Regulations 1980* (London: HMSO).

has become less usual after several appeals by applicants to the higher courts. I was involved in an appeal to the Court of Appeal[14] in which Lord Denning—then master of the rolls, which is perhaps the most powerful position in British justice—had this to say about the objection to that particular new license: "That is a most technical objection. I have never heard of a more technical one." He went on to allow the appeal. Since that time, although technical objections have been made, the courts have largely disregarded them unless it has been clear that the general public was misled.

Perhaps the most extraordinary aspect of new license applications has been the role of the Gaming Board. The court is required in the 1968 act to take into account advice given to them by the board. So, having granted a certificate of consent, the board may well, and very often does, object to the granting of the license on the grounds of demand. It is now the view of the board, for instance, that the 19 casinos in London satisfy the available demand, and they are objecting strongly to the granting of any extra new licenses. Perhaps they should look at the recent findings of the Monopolies and Mergers Commission.[15]

THE PROPOSED MERGER OF PLEASURAMA AND TRIDENT

Trident is a newcomer to casinos in the United Kingdom by reason of its purchase of the Playboy interests. Pleasurama has been the leading provincial casino operator for many years, with one recently acquired casino in London. Pleasurama made a bid for the shares of Trident in order to acquire the two London casinos that Trident owned.

The bid was referred to the Monopolies and Mergers Commission because of the involvement of Grand Metropolitan PLC, which not only owns six London casinos, two of which are partly owned by Pleasurama, but which also holds nearly 30 percent of the Pleasurama shares. It was suggested that, should the merger go ahead, Pleasurama/Grand Metropolitan would then control 9 out of the 19 casinos in London and that this would be against the public interest. The chairman of Grand Metropolitan, who opposed the merger, and one of the directors of Pleasurama had until recently been joint managing directors of Grand Metropolitan, and this fact added spice to the contest.

However, and perhaps not entirely by coincidence, this situation gave the government the opportunity to examine the casino industry in London under a microscope. In rejecting the proposed merger, the commission produced a thorough and comprehensive report that reveals several interesting facts. Although the basis of taxation had changed to become more onerous, Grand Metropolitan managed to increase the net profits from its casinos, before taxation and interest, from £4 million in 1978 to £28 million in 1982. A conservative estimate of the profits in 1983 would be £40 million. Even for a company showing a profit before taxation of £220 million in 1982, this is a large proportion of the profits.

Perhaps from the view of the prospective owner of a new London casino,

14. Application by Cotedale Ltd. for an order of mandamus, Great Britain Court of Appeal, 6 July 1978.

15. Monopolies and Mergers Commission, *Pleasurama PLC and Trident Television PLC and Grand Metropolitan PLC* (London: HMSO, Dec. 1983).

the most telling aspect of the evidence given to the commission was the open admission of the aims of the different companies. Grand Metropolitan said that its policy was to promote "maximum efficiency and profitability"; Trident said that its casinos were operated to "generate the maximum return consistent with the spirit and letter of the law." These hard, commercial statements of policy differ substantially from the views so often heard in licensing courts referring to satisfying the wishes of the casino customers and ensuring that they can place bets at desired levels.

THE FUTURE

The trend in the casino business in the United Kingdom has been for the large public companies to accumulate gradually the small clubs owned by private individuals. I can see no possibility that the laws will be liberalized, since the government's attitude to casinos has always been somewhat straitlaced. It seems therefore that, other than the gradual disappearance of the privately owned casino, there is likely to be little change.

Two factors are all-important. The first is that the majority of London casinos depend on regular transfusions of money from the Middle East; these casinos otherwise would soon become anemic. They might perhaps have to count on the local market that they have scorned over the last few years to prevent themselves from dying. Second, it is essential that the major casino empires set an example to the others of strict adherence to the spirit and intention of the law as well as to the letter of it. One more major scandal might lead to the government's deciding to pull the plug out of the industry by nationalization or by repeal of the 1968 act.

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Management Policy and Practices in Modern Casino Operations

By DEAN M. MACOMBER

ABSTRACT: The prognosis for casino gaming is that it will emerge from the 1980s as a modern, generally well-managed, legitimate industry. These attributes contrast sharply with the legacy from the development years of legalized gaming in Nevada. Casino gaming is completing a stage in which modern management, marketing, and operating techniques are adopted and widely practiced. With half a dozen areas contemplating the legalization of casino gaming, the industry must overcome internal and external constraints that may affect its growth potential. Among the constraints are the development and motivation of employees as a marketing tool, as efficient workers, and as a corporate resource; refinement of management as fair and consistent; marketing as a creative, planned, and profit-oriented technique integrated into every aspect of a casino-hotel operation; the blending of the skills of the veteran casino operator and the corporate executive; and the legitimation throughout society of casino gaming. Depending upon how effectively these issues are addressed, the casino industry faces either unprecedented growth or relegation to pariah status.

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THE prognosis for the casino industry is that it will emerge from the 1980s as a modern, generally well-managed, legitimate industry. These attributes are in sharp contrast to the legacy inherited from the early, development years of legalized gaming in Nevada. Unquestionably, it was the hard work and street-smart instincts of the founding fathers that provided the catalytic ingredients necessary for this new industry to form and grow in the midst of a desert. Retrospectively, the absence of good management techniques during these years is understandable since, pragmatically, management toughness was a more important attribute than management expertise. Similarly, to allay their fears of being cheated, management loyalty was perceived by the owners as more important than management capability. From a business perspective, the general lack of what would today be considered modern management techniques was compensated for by entrepreneurial flair and monopolistic business conditions. After fifty years, the industry still suffers directly and indirectly from its illicit origins and the management culture that evolved.

In the 1960s, casino management began a second stage of metamorphosis. Gaming operations in Las Vegas had grown from relatively small operations to large casino-hotel complexes. Essentially, gaming became big business requiring big-business techniques. Further accelerating a change in management style was the introduction of ownership and management of casino-hotels by large corporations such as Howard Hughes's Summa Corporation and Hilton. Table limits, complimentary services, credit, marketing, and other policies—previously the sole purview of the casino manager—now came under scrutiny by committees and corporate officers. The instincts of the gaming veteran were challenged by the profit-oriented corporate executive. The forced interaction between the casino manager and the corporate hierarchy generated some friction but created a new synthesized approach to casino management, which adopted the best of both cultures.

In 1976, before this cross-pollination had a chance to completely develop in Nevada, casino gaming was legalized in Atlantic City, New Jersey. Casino management talent, already spread thin, was further diluted as New Jersey operators migrated to casinos in Nevada and other gaming areas outside the United States.

In many respects, no one was prepared for the visitor volume, labor pool constraints, operating costs, and regulatory involvement that were to follow. Demand was so great that players had to wait in lines off the casino floor for seats to open. Management had to contend with an untrained labor pool used to working regular hours and raised with pro-union industrial values. In the midst of all these new factors, casino managers faced a new level of regulatory involvement encompassing almost every operational area. Effectively, the regulators were another layer of management. In the process of adapting to the regulatory, corporate layers, and sheer size of the typical casino-hotel in the 1980s, the modernization of casino management was further accelerated.

Casino gaming is on the threshold of a third stage. Once a foundation of good management practices is formed, the industry will be poised to develop creative new management, operational, and marketing practices specifically suited for gaming. Based on the growth potential demonstrated by the 26 mil-

lion visitors patronizing Atlantic City in 1983, a half-dozen geographic areas are actively considering the legalization of casino gaming. To be properly positioned to take advantage of this growth potential, the industry must complete the adoption and integration of modern management techniques. The industry must also deal with external obstacles that more than anything else threaten to curtail future growth. In all, the industry must address the following areas:

—human resource development and motivation;

—refinement of management as fair and consistent;

—development of marketing as a creative, planned, and profit-oriented process that is integrated into all aspects of a casino-hotel operation;

—completion of the corporate and casino cross-culturalization; and

—legitimation of casino gaming throughout society.

HUMAN RESOURCE MANAGEMENT

For too long the industry has been taking its employees for granted. The focus of managing employees has been on game control, and the result has been a strict management style. During the development years of gaming, the prevalent feeling appears to have been that, since the jobs paid so well, management had the right to treat the employees as they pleased. Terminations without cause, firings of entire shifts if cheating were suspected, promotions based on "who you know"—referred to as having "juice," in casino jargon—and autocratic, strict management styles became accepted practices.

Today harsh treatment may lead to union organizing activity. The lack of regard for management because of poor treatment causes an ambivalent employee attitude and often the discourteous treatment of customers. Although the profitability of casino hotels may have lulled many companies into ignoring the full responsibility of managing, developing, and motivating its employees, the industry is quickly awakening.

Management of casino employees should begin by recognizing an inescapable fact: the medium through which the casino industry offers gaming to the public is its employees, primarily dealers and supervisors. In the casino department alone there may be 1000 dealers, supervisors, and managers directly facing, talking, and interacting with customers. As a consequence, employees make up one of the single most important marketing tools a casino-hotel company has at its disposal. The leverage of these employees is demonstrated each day when a cryptic remark causes a customer to leave for another casino, because for most players the chance of winning is virtually the same from casino to casino.

Of course, the aspect of employee management that deals with the control of the games cannot be diminished in importance since control is still largely dependent on a system of people watching people watching people. The dealers and supervisors must first be technicians following or enforcing detailed procedures outlined in comprehensive procedure manuals before they can be ambassadors of goodwill for the casino. Another dimension affecting the management of employees in a casino is the relationship of the dealers to capacity. When demand exceeds supply for most weekend, holiday, and summer days, as

it does in Atlantic City, a 10 percent increase in hands dealt per hour means a 10 percent increase in capacity, which translates into increased revenue. In many respects, dealers are human machines, and certain aspects of management must deal with this fact.

The development of the employee as a resource should begin with the first day. Historically, the direct day-to-day supervision of the employee was assumed to be sufficient for the employee's development. However, this process has certain limitations. In recognition of these limitations, many casinos have mock casinos, located away from the casino floor, where training sessions can focus on material at a pace set by a qualified instructor. Others have implemented training pits or tables where employees, both dealer and supervisor, regularly tune up their performance.

In support of the training efforts, rather elaborate evaluation systems have been developed. The objective is to monitor employee development, raise the standard level of performance, determine pay increases, and identify those eligible for promotion. Fairness and consistency is a problem in this process because of the number of people being evaluated as well as the large number of those doing the evaluation. In response, some casinos have developed a core group of evaluators among their supervisory staff who receive extra training on how to evaluate. Other casinos have developed quality-control reviews, in which the pit boss or shift manager retains the right to override an evaluation score. In order to make this process something more than just a mechanical exercise, employees are briefed on the results and counseled on ways to improve.

More attention is also being given to another important aspect of human resource management: disciplinary systems. The modern view is that disciplinary systems should be thought of by management as a constructive system designed solely to return employees to the procedures and policies that the company desires them to follow. Discipline should not be considered a punitive system utilized as a thinly veiled, "gotcha" alternative to an on-the-spot firing. If the disciplinary process is carried out in this manner, it only serves to foster a sense of fear and intimidation, which easily leads to abuse. Effective systems recognize the investment that the company has in each employee, both monetarily and morally. The new disciplinary systems are considered functional if an employee never receives a second infraction; the old systems are considered functional only if the employee is eventually terminated.

Each element of human resource management is part of an overall program to maintain good employee morale and stimulate employee productivity in a manner that allows a casino to provide proper game protection and service to its customers. However, the entire program can be dismantled quickly by the management style of the casino's managers: the supervisors and pit bosses. For example, if a supervisor's response to a question from a dealer is "dummy up and deal," all the previous efforts may go to waste.

Employees go on regular breaks quite frequently during the work day, and there is considerable opportunity to talk and discuss what is happening on the floor or in their personal lives. The result is that the management process is constantly under the microscope. Every management action is witnessed or dis-

cussed by all the others in the casino at one time or another. Mistakes by one supervisor or management employee are often quickly ascribed to the company as a whole. The glass house in which managment operates reinforces the need for the fundamental principles of mutual respect, communication, and consistent treatment of all employees to be followed by everyone. The old attitude, "If you don't like it, you know where the door is," is short-sighted in terms of the investment that the company has made in the employee as well as the impact that philosophy may have on the employee's day-to-day morale and attitude toward customers.

MANAGEMENT VERSUS MANAGING

Anyone can be a casino manager. However, the appointment to a position does not necessarily mean the person is qualified to hold that position or can manage from that position. The process of managment is a discipline that goes beyond the authority merely to make decisions. Anyone can make a decision, but the decision may not be the correct one. Coming to the right decision through a logical and consistent process requires management skill. Helping employees grow, motivating and training them, is management; barking orders and issuing dogma is not.

The "monopoly-on-brains" syndrome is too often found in upper-management levels of a casino operation. Essentially this theory holds that a person in power is the only one who can make the correct decision. The management style may also evolve from managers' feelings that delegation might dilute their authority or control. In the past, casino management positions have often been held by dictators, either autocratic or benevolent. Unquestionably, these individuals had the title of manager. It is less clear whether they were good managers or knew what they should know about the process of management. Yet many were able to hold down these positions because of the sheer earning power of the casino games. There is a world of difference between the process of managing and merely acting in the capacity of a manager. The high level of turnover in casino management in the last five years attests to this.

The examples set by today's casino managers and those coming up through the ranks are leading to a whole new characterization of casino management. Under the old regimes, one or two people made all the decisions, and they were able to do little more than maintain the status quo. Planning, operational fine tuning, and developing new ideas were sacrificed as the emphasis was placed on day-to-day fire fighting and controlling of one's territory. Whereas all ideas previously emanated from the manager's office, today management actively seeks suggestions and recommendations from all levels of management. In the process, management team members, who were little more than soldiers in the past, now have the feeling of self-worth, contribution, and company identification.

It was critical for the casino industry to make this change in management style at the top, for this is where the entire casino operation is controlled. The style and tone had to be set there first for the process to begin to filter down through middle management, supervisory levels, and the ranks of the line employees.

In addition to undergoing a change of managment style, the industry has experienced a tremendous change in terms of decison making. There has been a casino

tradition of spontaneous decision making, sometimes called "shooting from the hip." At the gaming table, supervisors are trained to make decisions—even wrong ones—quickly and keep the game moving.

Although this concept is generally valid at the table, it is generally invalid for the types of decisions made by top management. A decision made by top-level management has ramifications today, tomorrow, and a year from now. The issue is not the impact on an individual, but rather on the entire casino department or the company as a whole. Instinct is helpful in this regard, but it is not to be solely relied upon. Managing by the attitude that "this is how we always did it before" is inadequate in the rapidly changing gaming environment.

More and more decisions are being made by taking the time to blend properly experience, judgment, and quantitative and financial input and by using a logical process set within a consistent, conceptual, operating framework. In the process, management must have the confidence to listen to and incorporate new ideas, as well as the flexibility to change. Seldom is there only one way to accomplish an objective; more often there are several reasonable alternatives from which to choose. The response, "It can't be done that way," by management to a suggestion from a management team member is a closed-minded attitude toward what might be a viable suggestion. At the very least, management owes its team the insight of why it feels the suggestion cannot be followed.

Generally, casino decisions have an impact on other departments in the casino-hotel. It is not unusual in certain casino-hotel operations to have the casino unilaterally make management decisions that affect all other departments in the complex. The more modern view, however, is to let division and department heads be responsible for each of their areas. The casino department meets with these department heads and comes to mutually derived decisions, rather than decisions directed solely by the casino. The benefits of this practice include gaining the contribution of qualified people who are experts in their own fields and developing a team approach to management that is very important in the hospitality industry. Many of the counterproductive consequences of a casino-dominated hotel operation—such as lack of cooperation, breakdown of communication, and the general lack of support to the casino—are absent in many well-run casino operations because the property is being operated via a team effort as a unit.

Much of what has been discussed could be labeled management fundamentals. Yet it is the absence of these fundamentals that have caused many of the management problems in the past. The industry has awakened to this management gap. By promoting good role models and developing specific programs aimed at remedying management deficiencies, the industry is developing the foundation of good management techniques exercised by good managers.

DEVELOPING A MARKETING ETHIC

Historically, the marketing efforts of the casino industry have been head-count and revenue-oriented. This orientation assumes that once a customer appears in a casino, the casino will make its profit via the statistical edge it has over the player. With this perspective, the industry developed some rather

unique marketing tools. Foremost among them was the extension of complimentary services, which began with free drinks at the tables. The extension of these "comps" expanded quickly to free meals, rooms, entertainment, and transportation. By the 1960s this practice extended to the development of nationwide air programs supported by satellite marketing offices: the casino would fly in two to four planes of high rollers per week on junkets, at no cost to the player. Then came extravagant player parties hosted by sports or entertainment personalities, pro-amateur golf tournaments, and special events, such as a championship title fight.

Under low-overhead conditions where demand far exceeded supply, these policies generated profits—perhaps not optimal profits, but profits nevertheless. In the process the inventors of these marketing tools created a mystique surrounding casino gaming that still benefits the industry. Whenever a casino gave away a Rolls Royce or hosted a Grand Prix, the entire industry benefited. The perception developed that a gaming vacation was cheap, in many cases free, and at the very least exciting. But the current capital, construction, and operating costs combined with increasingly competitive environments require modern casino managers to develop marketing strategies that consider both revenue and expenses without losing the flair that makes a gaming experience entertaining.

For the remainder of the decade the priority for casino-hotels will be making marketing efforts more sophisticated, creative, and integrated into company operations. A marketing philosophy should become an instinctive, inextricable part of the company's culture. This may seem obvious for any company in the hospitality industry, but the industry has been lulled into a certain amount of marketing laziness by virtue of its own popularity. Unfortunately, many marketing programs emanate from copying other programs or relying on past programs for current markets. Air programs, for example, were soon introduced in Atlantic City because they were used by Nevada companies. The casinos found out, however, that Atlantic City was a day-trip market. Instead of 12 to 16 hours at the tables spread over four-day stays, the casinos had to regain in only 6 to 8 hours the $125-$175 per seat cost of flying customers in. As a result, air programs had to be reoriented to suit the Atlantic City marketplace.

This is not to say that the industry should not try old programs, emulate others, or fear making a mistake. Indeed, if a casino-hotel does not have an occasional marketing program that fails to meet objectives, it is probably stifling the creative process, which must have the latitude to experiment. Marketing programs in the casino industry are the equivalent of research and development budgets in other industries. In the current growth stage of the casino industry, the risk of marketing dollars' not yielding a return must be taken in order to gain and maintain a competitive edge in marketing successes. Properly monitored, the downside exposure of a program loss can be limited. On the upside, large gains may be realized.

The Golden Nugget in Atlantic City is an example of a casino's trying a new marketing approach. Beginning in the summer of 1982 the Golden Nugget made a specific marketing decision to cater to the high roller. This was a market it had not ignored up to that point, but catering to them had not dominated its marketing efforts. Like so

many casinos, it was all things to all people. Once the decision was made, limousines were acquired; Sikorsky helicopters were purchased; six suites were built, costing over $4 million; a New York office was opened and staffed by representatives with broad contacts in the high-roller market; and Frank Sinatra and other superstar entertainers were hired to appear at parties exclusively for Golden Nugget players. As a result, Golden Nugget has gone from fourth place in revenue in 1982 to first place among Atlantic City casinos in 1983.

Of course, the start of a marketing program is knowing the earning power of the game. Only recently have some of the myths surrounding gaming been resolved. The trade-offs among evaluating average bet, time played, handle, bankroll, bet size to bankroll, and money management systems are much better understood. From the cost side, the casino industry must be vigilantly alert to the possibility of program cost exceeding the revenue. Traditional programs such as junkets, player parties, and air programs are not automatic profit makers. Furthermore, the extension of complimentary services, long the mainstay of casino marketing efforts, has risen to such a competitive level that the comps often exceed the long-term earning power of the player. Rating systems, which were formerly based on estimates of "what can we beat him for?" are now complex, sophisticated, computer-based on-line systems. The analysis of a casino marketing program should involve the melding of the talents of the gaming veteran, who knows what makes players tick, with those of the corporate manager, who can assess what it takes in table-play volume to generate profits.

From a broader perspective, owners and executives have realized the following:

1. Gaming is an intangible product; it is entertainment in the form of an exciting experience.

2. Casinos must compete essentially on characteristics other than price, since the probability of a customer's winning or losing is generally the same from casino to casino—particularly in Atlantic City, where the rules are more highly regulated than in Nevada.

3. Gaming is a product that is consumed at its point of purchase; that is, players must be attracted to a casino out of their homes, away from other forms of entertainment, and away from other casinos.

4. Gaming is prohibited by law and regulation from directly advertising its product. Therefore, it must rely upon promoting its image, depending on word-of-mouth advertising and developing a facility that will act as a magnet in attracting customers.

Coordinating marketing strategy

Each casino-hotel should have a marketing plan based on these precepts. In the monopolistic and oligopolistic conditions characterizing the industry thus far, the most common marketing plan has been an all-things-to-all-people approach. This strategy or any other marketing philosophy may be correct, but only if it is the result of a conscious, well-integrated marketing plan. This marketing plan must be transmitted throughout the organization so that everyone and every effort focuses on consistently executing the marketing strategy.

Ideally, a marketing strategy should be developed prior to the construction

of a casino facility. Bally's Park Place made an early decision to go strongly after the slot market in Atlantic City. As a consequence, Bally is one of the few casinos where the patron is faced with a sea of slot machines, tower lights, progressive meters, and neon at the main entrances to the casino floor. The effort was worthwhile because in 1983 over half of Bally's casino revenue came from slot operations and Bally ranked as one of the top slot revenue generators in Atlantic City.

While many properties are built with facilities and operations integrated into an identifiable marketing plan, others seem to ignore these principles. Their design is unimaginative, creating no uniqueness nor a sense that this casino is an interesting facility in which to play. Other casinos provide facilities out of sync with the market. They cater to high rollers without providing them suites. They bring thousands of bus passengers to the property each day but are unable to serve them lunch without creating two-hour lines that keep them away from slot machines. They have low- and high-priced restaurants, but do not have a place to "comp" the medium player. In all, their facilities and operations are not coordinated with their marketing plan.

Operationally, policies and procedures should also flow from the marketing plan. Special events, player parties, junkets, off-site offices, and other promotional efforts are used to create product differentiations and a reason for a player to favor one casino over another. However, it seems that many of these programs are developed reactively—that is, because other casinos have them. But this approach may lead to too many casinos chasing the same market or a relatively thin one, such as the high-roller market. Similarly, following the leader does not create a long-term marketing niche for the casino; it only gives the player two casinos instead of one to patronize. Free parking, loss-leader food service, and entertainment policies are designed more to eliminate reasons a customer would not visit the company's casino. As competition increases, however, more approaches—such as unique facilities and services, bus clubs, and other marketing efforts—will focus on enticing players to their facility. Each casino will need to develop what are currently elusive commodities—casino identity and casino loyalty.

In reaction to the costs of operating traditional marketing programs and the increased competition developing within the industry, many companies appear to be evaluating marketing expenditures in a nontraditional way. For example, a good deal of marketing effort affects the balance sheet as much as the operating statement. Facilities and balance sheet marketing techniques include funding the cost of suites, showrooms, casino atriums, extravagant interior designs, and, in some cases, the purchase of helicopters and airplanes. These expenses show up as interest, amortization, and depreciation, some of which represent a noncash expense and have after-tax benefits. More important, the company accepts these as overhead expenses not reflected in the income statement of the casino or marketing departments. When healthy companies are willing to fund these efforts in this manner, it makes it more difficult for the less financially capable companies to keep up.

The next decade should yield refined marketing techniques and practices by the casino industry. Unprofitable programs will be dropped or refined. Techniques from other industries will be

borrowed. Methods of reaching new consumer markets will be developed. Architects, promoters, advertising agencies, pollsters, marketing research firms and the like will learn more about gaming so they can serve this industry in the same way that they assist other industries. At the same time, casinos will develop internal expertise in these areas as well. More and more companies will acquire marketing as a part of their corporate ethic; in a marketplace that is becoming more and more competitive, those that do not will be left behind.

THE CROSSBREEDING OF CULTURES

Today casino executives come from a culture and value system entirely different from the background of those who worked their way up through casino operations during the early, development years of casino gaming. It is critical that an operation be able to utilize the contributions of both groups, the academically trained executives and the experienced, old-style casino managers. Both groups need each other, yet neither has really had time to understand the other. A lack of mutual respect generates phrases often heard in the casino manager's office that "the guys upstairs don't know the business." Meanwhile the guys upstairs are creating Runyon-esque caricatures of their casino staff. In the worst case, barriers are built up around the casino. In some cases, corporate executives have been told by casino managers that the casino is off-limits, both figuratively and literally. A company may allow this to occur because it has no choice; it may have no experienced executives to take the place of casino managers.

This battleground environment is seldom seen now. The corporate-casino interaction is like two triangles, one poised inverted on top of the other. In the weakest form of corporation, the nexus is the casino manager, such that everyone in the corporate, executive level talks only to the casino manager and no one but the casino manager talks to corporate executives in the casino department. More and more, these triangles are overlapping. Comfort levels, trust, and mutual respect are being developed, allowing deeper communication. A measure of this success is at what level and to what extent the casino employee identifies with the company, as opposed to the casino manager.

Of course, nothing can change without the support of the company by top-level casino management. If those in the casino have the attitude that "without the casino, you wouldn't have a job," the battle lines are drawn. When casino management identifies with the company and company goals, these barriers come down, communication increases, and a team approach begins. Organizations that fail to achieve this relationship are not optimizing their management talent because their effectiveness is held back by their own intracompany friction. As the cross-culturalization continues, this handicap disappears.

In like manner, the casino industry needs to legitimate itself in the eyes of the public, the government, and law enforcement officials. If the public could only be hypnotized to forget the early Nevada years and the Hollywood characterization of casino operations, the perception of the industry would no doubt be different. This does not ignore the past, nor does it pass judgment on whether or not the industry has rid itself

of its past criminal lineage, directly or indirectly. But recent gaming history does not warrant the negative reputation the industry automatically receives in many forums today. Of course, perception is often more imporant than fact, and it is clearly its perception that the industry must combat.

The gaming industry must make an effort to establish its image as at least neutral. Lobbying efforts need to take place with the press, government, law enforcement agencies, bankers, Wall Street, and other influence groups. This needs to be done by individual companies as well as on an industry-wide basis. The effort needs to take place in existing gaming areas, proposed gaming areas, and nationally.

For continued growth, the industry must rely upon the legalization of casino gaming in new areas. Casino gaming should not be located everywhere any more than racetracks should be located everywhere. There should be a fit between the character of the community, the needs of the region, and the infrastructure available to support the industry. However, casino gaming should not be so automatically excluded as it is in so many areas today. By acknowledging the liabilities but also pointing out the positive contributions that can be made by casino gaming, the industry should be able to find mutually favorable locations in which to expand. The industry's growth is assured, based on the inherent demand for the product, the potential positive economic impacts on a community, and the profits generated for the company. The question, then, is not, Will casino growth occur? but where and when. As gaming continues its legitimation and assimilates itself into the culture of today's society, the spread of casino operations will undoubtedly accelerate.

Thus casino gaming has all the prospects of being one of the most dynamic, exciting, growth industries for the remainder of the twentieth century. To realize its potential the industry, like any young industry, needs to take an honest, introspective look at where it is. Development of its employees, good management, modern marketing, and assimilation into a much larger society are the goals that, if met, will produce unprecedented growth in the years to come. If the industry does not address these issues, the growth of casino gaming will be stunted, and casino gaming will perhaps be relegated permanently to pariah status, tolerated only where it is the last solution to larger economic problems.

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The Social and Economic Impact of State Lotteries

By H. ROY KAPLAN

ABSTRACT: Lotteries played an important role in the foundation of the United States but were abandoned because of abuses in the nineteenth century. Their reintroduction occurred in the second half of this century, when states turned to them as a way of generating needed revenue. This article explores the revenue-generating potential of state lotteries and concludes that they are incapable of contributing significant amounts of money to state coffers, and that they have not made inroads into illegal gambling. In the drive to increase revenues through legalized gambling, legislators may be ignoring their responsibility to address critical social issues directly through more progressive forms of revenue generation. To the extent that lotteries are utilized as a politically expedient alternative to taxation, they impede effective and constructive approaches to the amelioration of critical social problems.

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WHILE the introduction of state lotteries is a recent development, beginning with the New Hampshire lottery in 1963, lotteries were popular at other times in our past.[1] Lotteries were firmly entrenched in England at the time of the colonization of the New World. The Virginia Company even used a series of lotteries to finance the development of its settlement in Jamestown. Lotteries were popular in the colonies and were patronized by many people, despite the high cost of tickets, which sometimes ran $30 or more. To hedge against the loss of such an investment, buyers could insure their tickets for a premium to make up the difference between the prize they might win and the cost of the ticket. Many of the Founding Fathers were avid lottery patrons. Despite his reputation for frugality, Benjamin Franklin was known to buy lottery tickets, and in a drawing in 1748, he wrote a friend, "I have not insured for anybody, so I shall neither lose nor gain that way."[2]

Later the practice of insuring developed into an alternative betting scheme whereby players could bet on the number of lots they thought might be taken from the wheel on a given day. If a person's guess was correct, he received the amount for which the lot was insured. Since drawings often lasted weeks or months, this was an interesting diversion that also heightened interest in the lottery.

There were two kinds of lotteries in the colonies: private drawings, which were run for personal profit, and legally sanctioned drawings, to provide capital for public projects. The most common private lotteries were raffles of merchandise, land, and even slaves. Many people utilized lotteries to pay debts, as did William Byrd III of Virginia. He divided his land, which was near the present city of Richmond, into 839 parcels and raffled them off. One of the winners was George Washington, who invested 50 pounds in the venture. At the age of 83, Thomas Jefferson tried to dispose of his land through a lottery to liquidate debts of $80,000. Ticket sales lagged, however, and his death on 4 July 1826 halted interest in it.

Lotteries were thought to be an easy method of raising revenue and were used by the colonies to help defray the costs of wars with the French and Indians and for public services. In 1777 the Continental Congress sponsored a lottery to raise funds for the Revolution, and four states—Massachusetts, Vermont, Rhode Island, and New York—also conducted them to aid the struggle for independence.

Countless lotteries were held by states and municipalities through the mid-1800s to finance public works projects, such as the construction of bridges, streets, courthouses, canals, hospitals, libraries, water systems, and wharves. A series of lotteries was held in the 1790s to finance the improvement and construction of Washington, D.C. Churches and colleges were not averse to relying on lotteries for raising needed revenue. From 1790 to the Civil War, 47 colleges, including Harvard, Yale, Princeton, Dartmouth, Brown, Columbia, and Rutgers, approximately 300 lower schools, and some 200 church groups benefited from them.

Lotteries left an indelible stamp on the United States economy and business

1. The following history of lotteries in the United States is drawn from John Samuel Ezell, *Fortune's Merry Wheel: The Lottery in America* (Cambridge, MA: Harvard University Press, 1960).

2. Ibid., p. 95.

system through marketing, promotional, and organizational techniques that were developed by ticket brokers in the early 1800s. They were also the forerunner of private banking and stock brokerage chains, as they provided the means through which capital could be accumulated in small sums from many sources and later utilized for permanent investments.

The height of the lottery mania was reached in the mid-1800s. There were over 160 lottery shops in New York City in 1826, and in Philadelphia over 200 offices were selling chances for 420 different drawings, 394 of which violated Pennsylvania law. The competition for subscribers increased as private entrepreneurs entered the picture. Between 1790 and 1830, 21 states gave nearly 200 licenses for private and semiprivate lotteries. There was a lottery of some sort being held every day of the year by 1832. In 1826 the citizens of Rhode Island spent $1 million on lottery chances, while in New York the figure was nearly $1.5 million, and $750,000 in Massachusetts.[3]

Opponents of lotteries contended they were unfair methods for obtaining revenue because they induced working people to spend scarce resources in the hope of gaining sudden wealth. It was also believed that the commitment to work was diminished by the lure of easy money through wagering, reinforcing the supposed slothful nature of humans. The preamble of an act against lotteries in New York in 1747 stated that they were of "pernicious consequences" to the public because they encouraged "Numbers of Laboring People to Assemble together at Taverns where such Lotteries are usually Set on Foot and Drawn."[4]

3. Ibid., pp. 99-100.
4. Ibid., p. 301.

The increase in lotteries also precipitated a corresponding increase in irregularities. Misrepresentations, swindles, and riggings became widespread. Even in colonial days abuses occurred, such as awarding inferior goods as prizes or manipulating drawings so that valuable items remained undrawn. Some promoters even fled before drawings were held. As lotteries became bigger, so too did the magnitude of abuses. After a number of scandals involving the rigging of winners, organized opposition developed, which led to legislation banning lotteries by 1878 in all states except Louisiana, where they were barred 15 years later.

THE REEMERGENCE OF STATE LOTTERIES

Contemporary state lotteries were primarily developed for reasons similar to their eighteenth- and nineteenth-century predecessors: to raise revenue for financially pressed states. It is ironic that many of the 17 states[5] having lotteries today were among the original 13 colonies, and although a great deal of time has passed, categories of need have basically remained the same: health, education, and public welfare. The lingering recession of the 1970s and 1980s coupled with inflation and the shrinking tax base of cities created fiscal crises in many heavily industrial states, where lotteries have made the biggest comeback. As of May 1983, 27 other states and the U.S. Congress were also consid-

5. New York, New Jersey, Massachusetts, Pennsylvania, Connecticut, Rhode Island, Maine, New Hampshire, Vermont, Ohio, Maryland, Delaware, Michigan, Illinois, Washington, Colorado, Arizona. The District of Columbia also has a lottery, as do Puerto Rico and the Virgin Islands.

ering the legalization of lotteries.[6] Lotteries spread as adjacent states seek to capitalize on the mania and stop the flow of dollars across their borders.

The social climate is also ripe for the return of lotteries. The purchasing power of workers has been eroding, making it difficult for the middle and lower classes to maintain their life-styles. Added to the unemployed, they constitute a market for lotteries that dangle the tantalizing dream of instant wealth in front of them.

Another rationale for the reintroduction of lotteries has been the government's attempt to combat organized crime by depriving it of income. It was thought that lotteries could capitalize on the public's penchant for betting, especially in industrial states where illegal numbers games are ubiquitous, and put organized crime out of business.

Some people derive enjoyment from playing lotteries, and games have been developed to heighten the suspense and increase player participation. For the impatient, some tickets have an erasable mark so the purchaser can learn immediately whether she or he is an instant winner. Also, there are the daily numbers games, which afford bettors the chance to pick their own combinations of numbers. The recreational aspects of legalized gambling have not gone unnoticed, and although the lottery is one of the more unglamorous forms, there have been and will continue to be significant expenditures of energy devoted to increasing audience and player participation and enthusiasm.

6. Michael P. Davis, "The 'Lotterizing' of America," *Gaming Business Magazine* 4(5):6-10, 55 (May 1983).

REVENUE GENERATION

Since lotteries were introduced primarily to generate revenue for financially beleaguered states, the cogent question is whether they have achieved or can achieve this objective. Although they do raise revenue, they are not able to generate sufficient funds to make significant contributions to state budgets. The magnitude of this financial picture can be more fully comprehended when we consider that gross ticket sales for the active state lotteries in 1983 were approximately $5 billion, with the states receiving net revenues of $2 billion. The combined revenues for those states was $72.4 billion, which means lotteries contributed about 3 percent that year.[7]

Perhaps more than any other factor, the very nature of lotteries accounts for their relatively low yield. Lotteries are a voluntary form of fund raising—a painless tax, and even though many people purchase tickets, most do not spend much money on them.

In New Jersey, which introduced the nation's first legal daily numbers game in 1975 and where 80 percent of the people eligible to buy tickets purchase them at one time or another, 1982 gross revenues hit nearly $518 million, or about $70 per capita. This was a 24 percent increase over the previous year. Much of the credit for the dramatic increase in sales goes to the introduction of legalized numbers games, which many other states have adopted.[8]

7. U.S., Bureau of the Census, *Statistical Abstracts of the United States: 1984* (Washington, DC: Government Printing Office, 1984), p. 290. Data do not include Colorado, Washington, or the District of Columbia.

8. Daniel B. Suits, "Gambling as a Source of Revenue," in *Michigan's Fiscal and Economic Structure*, ed. Harvey E. Brazer and Deborah S. Laren (Ann Arbor: University of Michigan Press, 1982), p. 832.

TABLE 1

CHARACTERISTICS OF LOTTERIES IN THE UNITED STATES 1983

State	Year Enacted	Gross Revenue (Millions of Dollars)	Net Revenue (Millions of Dollars)	Type of Game	Top Prizes	Use of Funds
Arizona	1981	75	31.8	Continuous, instant	$1 million	Roads, transit, general fund
Colorado	1983	140 (January-30 June, 1983)	42 (January-30 June 1983)	Continuous, instant	$1000 per week for life	Conservation, parks, capital construction
Connecticut	1972	188	80.5	Instant, weekly, numbers	Millions	General fund
Delaware	1975	30.1	11	Instant, daily, numbers	Millions	General fund
District of Columbia	1982	50.4 (25 August 1982-25 June 1983)	13.1 (25 August 1982-25 June 1983)	Instant, numbers (September 1983)	$1000 per week for life	General fund
Illinois	1974	495.4	214.1	Instant, daily, numbers, weekly	Millions	General fund
Maine	1974	13	3.7	Instant, daily, numbers	$25,000	General fund

(continued)

TABLE 1 Continued

State	Year Enacted	Gross Revenue (Millions of Dollars)	Net Revenue (Millions of Dollars)	Type of Game	Top Prizes	Use of Funds
Maryland	1973	462.8	198	Daily, weekly, numbers	Millions	General fund
Massachusetts	1972	312.1	104.6	Instant, daily weekly, numbers	Millions	Local aid
Michigan	1972	548.9	221.2	Instant, daily weekly, numbers	Millions	Education
New Hampshire	1963	13.8	3.7	Instant, daily, weekly, numbers	$100,000	Education
New Jersey	1970	693.1	294.9	Daily, weekly, numbers, instant	Millions	Education, capital construction

New York	1967	645	275.2	Daily, instant, numbers	Millions	Education
Ohio	1974	397.8	145	Daily, numbers, weekly, instant	Millions	General fund (education as of 1 July 1983)
Pennsylvania	1972	885.4	355.4	Instant, daily, numbers	Millions	Senior citizens
Rhode Island	1974	43	14.7	Instant, daily, numbers, weekly	Millions	General fund
Vermont	1978	4.4	1.1	Instant, daily	$100,000	Debts, construction
Washington	1982	231.2 (15 November 1982 to 30 June 1983)	94.6 (15 November 1982 to 30 June 1983)	Instant	$1000 per week for life	General fund

SOURCES: Geoffrey Tomb, "Lotteries: 'Gimmicks' or Valid Fund Raisers?" *Miami Herald*, 7 Apr. 1983; Larry Lang and Eric Nalder, "State Operated Lotteries," *Seattle Post-Intelligencer*, 1 Aug. 1982; Bill Curry, "State Lotteries: Roses and Thorns," *State Legislatures* Mar. 1984, pp. 9-16; and information supplied by state lottery agencies.

From its inception in 1970 to 1982, the New Jersey lottery contributed $380 million to higher education, $341 million to elementary and secondary education, and channeled an additional $425 million to institutions such as hospitals and correctional institutions.[9] This is an impressive amount of money, but taken over the 12-year history of the lottery, it amounts to less than $100 million per year; and, when compared to the total New Jersey expenditures on public education in 1981 alone of nearly $3.7 billion,[10] the lottery's contribution is relatively insignificant.

Less than half the revenue generated by a lottery finds its way into a state's treasury. In the past, administration, commissions to ticket agents, and advertising consumed 10 to 15 percent of the gross, but that share has been declining as sales have soared. Advertising is still one of the most expensive costs, accounting for approximately 30 percent of a state's operating budget. New Jersey spent $2.5 million on advertising in 1982, which accounted for one-third of its relatively low operating budget of approximately $7.5 million, or 1.4 cents of every dollar wagered. A network of agents is also required to sell tickets, as in New Jersey, where 4000 licensed agents provided this service and received over $37 million in 1982.

The largest drain on lottery revenues is mandated by law. Much of the revenue must be returned to players in the form of prizes. The amount varies from state to state but averages between 40 and 45 percent. Yet, even if all revenues were retained and no prizes awarded, the $5 billion raised by lotteries in 1983 would not solve the states' financial problems. In this regard, the exceptions are New Jersey and Nevada. The combined income from legalized gambling activities in New Jersey accounted for 7 percent of its revenue in 1982, and the state of Nevada receives approximately 45 percent of its revenue that way, but these states are atypical because they permit casino gambling.

Lottery contributions to state budgets

Generally, lottery revenues account for only 2 to 3 percent of a state's budget, and economist Daniel Suits[11] predicted that even doubling such revenues would yield only 5 percent of a state's revenue. A National Science Foundation study[12] pointed out that states could generate the same amount of revenue derived from lotteries by increasing sales tax rates by half of a percent, and the error in predicting tax revenues for the coming year's budget has already exceeded lottery revenues in some states. Lotteries, then, by virtue of their voluntary nature and mandatory high prize returns, are unable to match the revenue generated by direct taxes.

While generating lottery revenues of $71 million in 1982, Connecticut considered a variety of new taxes in 1983, including a state income tax to make up for a shortfall of $265 million.

The Pennsylvania lottery grossed $885.4 million and netted $355.4 million

9. "Annual Report" (Trenton: New Jersey State Lottery, 1982).

10. U.S., Bureau of the Census, *Statistical Abstracts of the United States 1982-1983* (Washington, DC: Government Printing Office, 1983), p. 155.

11. Daniel B. Suits, "Gambling Taxes: Regressivity and Revenue Potential," *National Tax Journal*, 30(1):33 (Mar. 1977).

12. David Weinstein and Lillian Deitch, *The Impact of Legalized Gambling: The Socioeconomic Consequences of Lotteries and Off-Track Betting* (New York: Praeger, 1974), p. 74.

in 1983, making it one of the most successful in the country. Nevertheless, the state increased its income tax rate from 2.2 percent to 2.45 percent, effective August 1983, to generate approximately $200 to $250 million in additional revenue. The state sales tax was also modified to encompass cigarettes and may thus generate an additional $60 million. Together, the sales and income taxes account for approximately $5 billion a year, nearly 15 times the net revenue generated by the state's lottery. In other words, raising the state income tax by one-quarter of a percent generates as much money as total net lottery revenues.

Lottery proponents counter that funds raised have found their way into needed programs and projects, and many states have earmarked lottery revenues for specified areas such as education. The more salient question is whether the funds would have been raised if the lotteries did not exist. In all probability, the odds are that programs deemed essential would have been funded if lotteries were not available.

In New Hampshire, lottery funds have contributed a sizable amount to education, but in 1981 New Hampshire ranked thirty-third among the states in the average funds spent per pupil in average daily attendance.[13] It is also reasonable to assume that the citizens of New Hampshire had, by 1963, recognized the necessity for increasing aid to education and would have embarked upon some other method if the lottery had not passed. Recently New Hampshire began a daily numbers game and doubled its gross revenues, but the proceeds provide only $4 million to the state's $342 million school budget. "I don't think a school district is going to succeed or fail because of the sweepstakes dollars," said Bruce Ryan, spokesman for the New Hampshire school system.[14]

There is no guarantee that earmarked categories will receive as much funding as they need. Recent financial crises in some states indicate that some special-interest categories for which lottery funds have been earmarked are still vulnerable and have been pared despite assistance from lotteries.

There are other drawbacks to the lottery solution to states' fiscal problems. The earmarking of funds can, under close scrutiny in some situations, be seen as nothing more than a neat bit of budgetary juggling. Some politicians look on earmarked lottery revenues—for example, in education, the most commonly earmarked category—as an exchange item in their budget. Moneys realized by a lottery are allocated for education, but total education funds may not be increased because a like amount may be withheld from other sources of funding. Students and institutions do not then receive, for example, a $50 million bonanza; they merely get what the legislature and govenor felt they should have in the first place. The $50 million would probably have been raised from other sources, or programs would have been cut accordingly.

The regressivity of lotteries

According to George Rummel, deputy director of the Department of Revenue for the state of Illinois, lottery revenues literally staved off bankruptcy for his state on two occasions during

13. *Statistical Abstracts of the United States 1982-1983*, p. 155.

14. Eric Nalder and Larry Lange, "Lottery Mania Spreading West to Fill State Coffers," *Seattle Post-Intelligencer*, 2 Aug. 1982.

1975.[15] The $70 million that the lottery contributed to the general fund was only seven-tenths of 1 percent of the state's total revenues, but enough to fend off disaster. While such gestures seem heroic and timely, the legislatures of Illinois and other financially pressed states could be courting disaster by relying on lottery revenues. One of the greatest drawbacks of lotteries is the way they are used to substitute for dependable, equitable, and responsible methods of revenue generation. They perpetuate the muddle that many states are in. They impede tax reform and prevent the implementation of progressive taxes.

Furthermore, lotteries are quite regressive. A survey conducted for the national commission on gambling revealed that over 50 percent of the people in states having lotteries purchase tickets.[16] Purchase patterns vary, however: some people buy them sporadically, while others are steady patrons. Although the commission found that people with high income and education spent more, on the average, on lottery tickets than people with low income and education, poorer people spent proportionately more of their earnings, making lotteries more regressive than sales taxes.

Further evidence of their regressivity comes from research in Michigan. There, in fiscal year 1979-80, per capita sales of tickets were $75, but blacks spent more than whites, and a study reported by Suits[17] revealed that the proportion of family income spent on lottery tickets declines almost 12 percent for every 10 percent increase in per capita income in that state. Suits calculated that the Michigan lottery is more than twice as regressive as that state's sales tax. He concludes that "the [Michigan] state lottery is one of the most regressive taxes known and imposes by far the heaviest relative burden on those least able to pay."[18]

Other proof of the regressive nature of lotteries comes from a 1977 report by the Connecticut State Commission on Special Revenue, which found that the state's daily numbers game primarily attracted the poor, the chronically unemployed, and the uneducated, while people with college degrees and incomes exceeding $25,000 largely ignored the state's various forms of legalized gambling.[19]

Using data for the states of Connecticut and Massachusetts, Brinner and Clotfelter[20] estimated that lotteries were equivalent to a state sales tax at a rate of 60 to 90 percent that fell disproportionately on lower income groups. Similarly, Spiro[21] analyzed questionnaires returned by 271 Pennsylvania lottery winners and found that the lottery was highly regressive for people in the $10,000-to-$15,000 income bracket. And Clotfelter,[22] using data from the Maryland lottery, calculated that the daily numbers game in that state was more

15. Address to the Third National Conference on Gambling, Las Vegas, NV, 19 Dec. 1976.

16. Commission on the Review of the National Policy toward Gambling, *Gambling in America* (Washington, DC: Government Printing Office, 1976).

17. Suits, "Gambling as a Source of Revenue," p. 833.

18. Ibid., pp. 833-34.

19. *New York Times,* 6 Jan. 1980.

20. Roger E. Brinner and Charles T. Clotfelter, "An Economic Appraisal of State Lotteries," *National Tax Journal* 28(4):402 (Dec. 1975).

21. Michael H. Spiro, "On the Tax Incidence of the Pennsylvania Lottery," *National Tax Journal,* 27(1):59 (Mar. 1974).

22. Charles T. Clotfelter, "On the Regressivity of State-Operated 'Numbers' Games," *National Tax Journal,* 32(4):546-47 (Mar. 1979).

regressive than the weekly game and only slightly less regressive than illegal numbers.

There is something cruelly perverse about states encouraging, even proselytizing, their poorest and least educated citizens to gamble often for the purpose of generating funds for education.

THE ILLEGAL SIDE OF LEGALIZED GAMBLING

Despite the impressive revenue figures that lottery officials proudly display, the fact remains that lotteries have not fulfilled another of their promises. They have not made significant inroads into illegal gambling. Numbers games flourish, especially among minorities. There are many reasons for the lack of success that lotteries have had in the war against organized crime. Smart bettors who are savvy about such things as payoffs and odds know that lotteries are bad bets. Although the odds in legal numbers games are comparable to their illegal counterparts for picking three numbers—often from 500 to 1 to 800 to 1—longer sequences of numbers push the odds much higher, often into the millions.

One of the arguments that proponents of legalized gambling, such as lotteries and off-track betting, use is the expectation that legalization will curtail illegal wagering in numbers and with bookies. This assumption, however, has not been substantiated. The national commission on gambling reported that there is more wagering in numbers and with bookies in states having lotteries and pari-mutuel betting than in states without them. Even when states modify their games—for example, by introducing daily numbers—in an attempt to compete more effectively, their illegal counterparts have been able to survive through some creative maneuvers of their own, such as lowering odds, increasing payoffs, extending credit, permitting smaller bets than do the legalized games, and offering the convenience of telephone services and house calls.

Since illegal games may be sold at places of business or even door-to-door, legal lotteries are at a competitive marketing disadvantage. But even more inhibiting is the fact that lottery winnings are taxed in the United States, often at several levels. For example, a big winner in New York City would receive a check minus 20 percent deducted for federal income tax and would then have to pay city and state income taxes, in addition to other federal tax obligations, depending on his or her tax bracket. Typically, winners of a million dollars or more—their numbers are approaching a thousand—will have to surrender one-third to one-half of their winnings to the Internal Revenue Service. This not only creates ill will, but has been frequently cited by players as false advertising, since the actual prize is half of the advertised sum. And not even death alleviates the big lottery winner's tax burden, since substantial state and federal inheritance taxes are deducted from the annual installments, often leaving a pittance for heirs.[23]

There may also be cultural norms favorable to the success of illegal games. Playing numbers is often institutionalized in urban neighborhoods among blacks and Hispanics, where the collection of a nickel, dime, or quarter is part

23. H. Roy Kaplan, *Lottery Winners: How They Won and How Winning Changed Their Lives* (New York: Harper & Row, 1978), pp. 134-53.

of the routine of life.[24] These activities also provide otherwise unemployed persons with jobs and the opportunity to move up the organizational ladder in the local syndicate.

Illegal games are alluring to some people because they titillate nonconformists and thrill seekers who prefer the illegal route to sudden riches through the forbidden wager. But this can take on more ominous features, as when attempts are made to subvert legal games. One of the most notorious examples of this occurred in Pennsylvania on the night of 24 April 1980, when the master of ceremonies of the nightly televised lottery draw and the district manager of the lottery injected water into ping pong balls, save those numbered four and six, used to select the winning number. The winning number, 666, netted them and their accomplices $3.5 million, but officials, tipped by a suspicious bookmaker, investigated. Four of the conspirators later testified for the prosecution. The master of ceremonies received a 61-year sentence and the district manager 33 years. Ironically, lottery sales in Pennslyvania have continued to be brisk and may reach $1 billion annually by the mid-1980s.

Arizona's first lottery director was forced to resign after six months on the job because he was accused of favoritism in awarding lottery service contracts, and in the spring of 1983 the chairman of the New Jersey State Lottery Commission stepped down after allegations were made of conflict of interest with vendors and the lottery's advertising agency.

24. Ivan Light, "Numbers Gambling among Blacks: A Financial Institution," *American Sociological Review*, 42:892-904 (Dec. 1977).

Then there is the case of New York's ill-fated lottery, which folded in 1975 when it was divulged that less than half of the 42 draws produced winners because unsold tickets were eligible for prizes. The public was outraged and the entire administrative structure of the organization was replaced; yet this was a routine procedure in many states and in Canada at the time.

Actually, instances of fraud or collusion and other wrongdoing on the part of officials and agents among the lotteries have been relatively rare. This is laudable, since large sums of money are involved. But law enforcement agencies and lottery administrations must be vigilant to defend against attempts to subvert the games. Subversion takes many forms. For example, there have been attempts to sell counterfeit tickets, and individuals have tried to capture prizes by presenting forged replicas of winning tickets. A $5 million winner in the New York lottery recently told me about such a scheme that almost cheated him out of his prize.

GAMBLING AS RECREATION: A MORAL PARADOX

People have gambled from time immemorial, and a majority of our population not only believes many forms of gambling should be legalized, but participates in a wide variety of such activities. But not all laws or practices of government are popular, just as rules and regulations of parents may not meet with the enthusiastic support of their children. Certainly, state governments must devise methods for meeting their financial obligations, but one wonders how zealously they should promote

gambling as a method for alleviating their economic problems.

Economist Frederick Stocker[25] observed that there is no other form of consumption that receives as much official state encouragement as legalized gambling. And while disclaimers such as New York's off-track betting slogan, Bet with Your Head, Not over It, may be aimed at infusing some rationality into the public's decision to wager, such attempts are few and rather faint. By legalizing more types of gambling and making it easier for people to engage in such activities, states may be creating a moral dilemma: a choice between their responsibility to provide for the general welfare of citizens on the one hand, and encouraging people to participate in activities that may be pathological on the other.

From Pennsylvania we hear that a young couple quit their jobs, sold their possessions, and invested their money in lottery tickets. For four months they purchased tickets in a losing attempt to beat the lottery. After spending $14,100 and losing $6,000 in wages to win $15,000 they decided to channel their energies into more constructive pursuits.[26] In Delaware a middle-aged housewife spent thousands in a vain effort to win the lottery; a similar story has emerged from Toronto, where a bank teller embezzled over $80,000, which she squandered on lottery tickets in an unsuccessful bid to capture a million-dollar prize.

While such accounts are rare, they are increasing and being encouraged by the relentless pitch of lotteries as the path to paradise. Gerry Fulcher, the head of the Delaware Council on Compulsive Gambling, recently reported the results of a study that alleged that the state was concentrating lottery ticket vending machines in poor areas of cities and was releasing hard-sell advertising on the dates welfare checks were being issued.[27]

Already some individual lottery prizes have surpassed $10 million, and a succession of new games and formats have been introduced to increase their excitement level and lure larger numbers of bettors. The national commission on gambling found that the public rated the excitement level of lotteries at the bottom of a list of gambling activities. To stimulate interest, drawings are televised, and celebrities often participate. These shows frequently outdraw the competition and some are broadcast nightly.[28]

Research for the national commission on gambling indicates that availability of and proximity to gambling activities leads to greater participation. Nevada has the highest proportion of bettors of any state, as well as the greatest proportion of compulsive gamblers. While there might be some self-selective bias at work that attracts gamblers to Nevada, a similar phenomenon is now occurring in and around Atlantic City, New Jersey.

Since the legalization of casinos in Atlantic City, the number of people seeking help for compulsive gambling from local agencies has dramatically

25. Frederick D. Stocker, "State Sponsored Gambling as a Source of Public Revenue," *National Tax Journal*, 25(3):439-40 (Sept. 1972).

26. Kaplan, *Lottery Winners*, p. 12.

27. Personal communication with Gerry Fulcher; Ralph Batch, the director of the Delaware lottery, disputed these findings in a telephone interview.

28. See H. Roy Kaplan, "Sports, Gambling, and Television: The Emerging Alliance," *Arena Review*, 7(1):1-11 (Feb. 1983) for a discussion of the role of television in popularizing another form of gambling—sports betting.

increased. There has also been a significant increase in the number of people seeking treatment for compulsive gambling at the Johns Hopkins Center for Pathological Gambling, and some of these clients have also been abusing lotteries.[29]

It is widely believed among experts on compulsive gambling that availability and proximity to gambling are conducive to abuse. This further complicates the state's position as a promoter of such activities. Lotteries generally do not possess the inherent qualities of fast-paced action, risk, strategy, and excitement that are characteristics of activities conducive to compulsive gambling. The newer versions, however, are beginning to incorporate some of these elements. There are, for example, daily games that allow bettors to pick their own numbers, and instant win cards in the form of baseball or other games, such as slot machine combinations.

In their attempt to solve one kind of problem by introducing legalized gambling, legislatures may be creating a more insidious one. It has been conservatively estimated that there are more than 1 million compulsive gamblers in the United States, and their numbers are increasing. Researchers at the Center for Pathological Gambling at Johns Hopkins University have estimated that the social and economic costs of compulsive gambling run over $34 billion annually.[30]

LOTTERIES AND SOCIAL CONTROL

Lotteries hold out the tantalizing promise of instant riches to the public, and various promotions promise a lifetime of security and leisure. In studies of million-dollar lottery winners in the United States and Canada[31] nearly three-fourths quit their jobs—most within two years after winning.[32] It is ironic that states promote a no-work ethic on the one hand while encouraging and even compelling less fortunate people to work, on the other.

As lotteries and other forms of legalized gambling become more widespread, a number of big winners may opt out of the labor force, but more important, enormous numbers of citizens may be placing their aspirations for better lives on the ephemeral possibility of winning. This illusory dream can also be used as a method of social control—to placate people by diverting attention from their misfortunes and meaningless lives. The social control aspect of lotteries and legalized gambling assumes greater significance as they proliferate. Even if politicians do not consciously utilize the diversionary potential of gambling, an insidious volitional component remains, raising the specter of a populace becoming a willing accomplice in its own undo-

29. Personal communication with Dr. Robert Politzer, director of the Johns Hopkins Center for Pathological Gambling.

30. Robert Politzer, James S. Morrow, and Sandra B. Leavey, "Report on the Societal Cost of Pathological Gambling and the Cost-Benefit/Effectiveness of Treatment" in *The Gambling Papers: Proceedings of the Fifth National Conference on Gambling and Risk Taking* (Reno: Bureau of Business and Economic Research, University of Nevada, 1982), vol. 3.

31. Kaplan, *Lottery Winners,* pp. 68-115; and H. Roy Kaplan, "Survey of Lottery Winners" (Final report to Loto Canada, 12 Feb. 1979).

32. The New Jersey income maintenance study and labor force projections further support these data, indicating a decreased commitment to work when economic alternatives to it are available. See Irwin Garfinkel, "Income Transfer Programs and Work Effort: A Review," in *How Income Supplements Can Affect Work Behavior* (Washington, DC: Government Printing Office, 1974).

ing. Our gullibility and propensity to be manipulated by such diversions is illustrated by the behavior of lottery winners we studied, who, despite their newfound wealth and some negative experiences, almost universally continued purchasing tickets.

The social philosopher Herbert Marcuse contended that advanced industrial societies like the United States are characterized by democratic unfreedom.[33] This seeming contradiction in terms becomes comprehensible when applied to the social control quality of legalized gambling, which allows people to engage in previously forbidden activities for a price. States not only decriminalize gambling behavior, but they profit from it while gaining compliance to the existing social order from aspiring winners who docilely accept oppression, racism, exploitation, and injustice for the sake of that illusory win.

While this discussion may seem overly moralistic, and perhaps even outdated given the rapid social change that has characterized our attitudes toward legalized gambling in the last two decades, these issues deserve to be discussed. Gambling has been with us throughout history and no amount of legislation will eradicate it. But it has been our contention that the state has the responsibility to protect its citizens from the more negative impacts of gambling and their consequences and to pursue those courses of action that may permit gambling in a rational manner as well as providing resources for potential abusers. More important, it is the duty of the state to ameliorate social problems toward the end of promoting the public health and welfare and enhancing the quality of life of its citizens.

Certainly we cannot hold lottery officials and their agents responsible for the success of the games; it is their job. But just as certainly it is the job of our legislators to address forthrightly the critical issues confronting our society today. Lotteries and other forms of legalized gambling obfuscate these issues by impeding progress toward their amelioration. If they are used as escape mechanisms and painless methods of revenue generation, they will have a negative influence on society. They appear as red herrings in a sea populated by a plethora of political jellyfish without the backbone to confront the unpopular but necessary issues of tax reform, fiscal responsibility, and long-range planning —the only ways sufficient funds can be generated to cope with the monumental problems of crime, energy, poverty, health, education, pollution, housing, and welfare.

As we have seen, lotteries are incapable of making significant contributions to states' budgets. They are stopgap measures that lull the populace into a state of complacency while social and fiscal problems intensify. More people are joining welfare rolls, the ranks of the unemployed have swollen, health care has priced itself out of the free marketplace, housing is beyond the reach of most young couples, crime is rampant in cities and suburbs with people living in a state of siege, no energy policy exists by which we can rationally allocate our existing supplies of fossil fuels and develop clean and inexpensive substitutes, and education is severely affected because funds are being slashed by taxpayers to whom their leaders have not spoken candidly about the seriousness of the problems that confront them.

33. Herbert Marcuse, *One Dimensional Man* (Boston: Beacon Press, 1964).

Meanwhile, the public keeps buying tickets. Will lotteries and legalized gambling become the bread and circuses of a civilization tottering on the brink of social and economic disaster?

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Gambling: A Sociological Review

By JAMES H. FREY

ABSTRACT: The study of gambling behavior or of the impact of gambling on social institutions does not have a signficant tradition in sociology. There have been a few attempts to test propositions associated with functionalism, alienation, anomie, and decision making; however, the results of these studies have proven inconclusive. Despite the fact that a large proportion of any society participates in gambling and that gambling is continuing to affect public policy in many jurisdictions, sociologists have not treated gambling as behavior worthy of serious investigation. This article reviews (1) the application of various sociological theories to gambling behavior; and (2) the results of the limited number of research efforts prompted by these perspectives.

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SOCIOLOGISTS have neglected gambling as an activity that merits investigation in its own right, as a research setting in which to analyze more traditional sociological concepts or relationships—for example, role conflict, group cohesion—and as an independent variable having an impact on other areas of social life. This neglect was acknowledged by Devereux in 1949 in his landmark doctoral dissertation, "Gambling and the Social Structure"[1] and more recently by the research directors of the United States Commission on the Review of the National Policy toward Gambling[2]—hereafter referred to as the National Commission. In fact, the latter discovered less than a page of references to gambling-related research in the social science literature.

The explanation for this gap cannot rest with the excuse that gambling behavior is a rare, faddish, or obscure activity engaged in by relatively few members of the population. Rather, the opposite is true. If we know anything at all about gambling, we know that its popularity cuts across all class, racial, and ethnic lines; and that in many cases a greater portion of any society are gamblers than are nongamblers. Thus gambling behavior is a perfect example of what sociologists seek to study: it is a persistent and institutionalized form of behavior. To make it even more attractive, it is often classified as deviant behavior—more specifically, a victimless crime, long a stronghold of sociological attention. Still, few sociologists have shown much interest in the topic.

Despite the paucity of sociological literature on gambling, there is some information on gambling behavior that is known and that is amenable to sociological analysis. It is my intent to review the relevant theoretical and research literature in sociology in order to summarize what is known about gambling. This will include an assessment of variations in participation patterns and a critical analysis of how various sociological theories of gambling have held up to empirical test.

SOCIOLOGICAL THEORIES OF GAMBLING

Theoretical applications to understanding gambling behavior exist on the macro and micro levels. The first discusses the place of gambling in societal equilibrium. This includes, of course, the functionalist tradition. The major contributors to a functional theory of gambling are Devereux and Bloch. Within this category I shall also include discussions of opportunity theory, anomie, and alienation as they relate to gambling. In addition, a Marxist interpretation of gambling belongs to the first grouping. There is no definitive Marxist statement of gambling, although tentative conclusions can be drawn from the existing theory. The second level is social psychological, and this category includes the work of Goffman and his analysis of the phenomenon of action as it is part of gambling behavior.

The structural-functional view: system maintenance

The cultural contradictions of capitalism form the basis upon which functional analyses of gambling are made.

1. Edward C. Devereux, "Gambling and the Social Structure: A Sociological Study of Lotteries and Horseracing in Contemporary America" (Ph.D. diss., Harvard University, 1949).

2. Commission on the Review of the National Policy toward Gambling (hereafter National Commission), *Gambling in America* (Washington, DC: Government Printing Office, 1976).

On the one hand, there have been cultural demands for routine, controlled orderliness and predictability. On the other hand, there is the pressure to experiment, to take a chance, to be entrepreneurial. In the everyday life of most people, the latter is a virtual impossibility. Therefore, many people need to seek activities that will provide a substitute or compensation for the lack of thrills and the dominance of order in their daily lives. One such activity—participation in gambling, and other aleatory activities—not only fulfills personal needs but also contributes to societal stability by displacing potentially disrupting forces. The reduction of strain between cultural and structural inconsistencies and the process of tension management form the basic thrusts of the functional perspective, including those of the anomie, alienation, and decision-making traditions.

The major structural/functional study of gambling was published by Devereux in 1949. Despite some methodological problems, this study remains—and it is regrettable to acknowledge this fact—the most extensive and thorough theoretical analysis of gambling in the sociological literature. Using a Parsonian framework, Devereux rejected the pathological and individualistic views of gambling in favor of an approach that acknowledged the continuous existence of gambling and that asked such basic functional questions as, "How are these deviant behavior patterns and *sub rosa* organizations fitted into the general frameworks of the social structure, and how is a tolerable condition of equilibrium established and maintained?"[3] It was not theoretically safe to assume that, since gambling tended to evoke negative reactions and tended to remain illegal, it was dysfunctional and produced disruptive societal consequences. Rather, the persistence of gambling behavior, despite its illegality, is testimony to the fact that gambling meets some societal needs; that need is essentially one of tension management.

Thus the central theme of most functional analyses is that gambling is a safety-valve institution—that it diverts feelings of hostility to substitute objects or it serves as a channel for cathartic release.[4] Gambling is a mechanism for relieving strain in a socially acceptable, not necessarily legal, manner. Thus participation in tension-releasing activity must be done in socially prescribed and tolerated ways, preferably within controlled environments in segregated settings. Devereux states,

> insofar as this mode of orientation to gambling is widespread, the ethical organization of the dominant economic institutions may also be protected; for potentially disruptive speculative urges and ethically deviant economic motivations may be deflected more or less harmlessly within the segregated institutional contexts of gambling.
>
> With his gambling thus rationalized and kept within bounds, he may be able to "drain off" potentially dangerous energies and thus, indirectly, to bolster and protect the precarious equilibrium of the dominant personality organization.[5]

Of course, the dominant economic institution is industrial capitalism, and the prevailing theme is ascetic Protestantism. By permitting safety valve outlets the contradictions or inequities of the

3. Devereux, "Gambling and the Social Structure," p. 4.

4. Lewis Coser, *The Functions of Social Conflict* (Glencoe, IL: Free Press, 1956).

5. Devereux, "Gambling and the Social Structure," pp. 798-99.

capitalistic system remain underexposed, and dramatic attacks on the system's basic tenets will not take place.

Thus gambling meets various personal and social needs not fulfilled in the capitalistic systems that tend to carry built-in frustrations—for example, not everyone can be successful—and to emphasize the dehumanizing values of order, control, routine, specialization, and affective neutrality. Gambling permits one to indulge in a protest against budgetary restraints and rationality while permitting thrill seeking, competitive aggression, and problem solving. The latter are rarely permitted on the job or in the routine of everyday life. At the same time that gamblers escape the economic frustrations of capitalism, they also register a protest. However, this protest is symbolic and does not upset the system.

Even though gambling is permitted to exist, albeit in a sub rosa fashion, it is an accommodation to structural strain that should still serve the main economic system. By keeping gambling illegal and segregated and by expressing moral distaste for its existence, prevailing ethical and economic values are reinforced. Thus there is a second function for gambling.

Gambling is part of the counter mores in a system and it may coexist within the same person or society without producing disequilibrium.[6] Participation in gambling or other manifestations of the counter mores—such as prostitution—reminds one of the main ethical theme of the culture, produces guilt, and thus keeps the individual from going beyond the acceptable boundaries of participation in these vices. The act of disapproving gambling reinforces the moral order, and the result is a stable personality organization and subsequent societal equilibrium.

In sum, gambling is a mechanism of accommodation utilized by society to channel protestations resulting from frustration with the basic economic and ethical systems in a socially approved—that is, functionally imperative—manner. The following summarizes this position:

> In this way, the going social structure incorporates within itself a variety of mechanisms which are designed to take up the potentially disruptive psychological forces generated within the dominant system and, in one way or another, to resolve or accommodate them. Functioning variously as structural "shock absorbers" and "safety valves," these mechanisms provide a variety of schemes for handling "dangerous" effects, in some cases gearing them to serve the needs of the dominant system, in other cases discharging them "harmlessly," either vicariously or overtly, in carefully segregated, controlled and disguised contexts.[7]

The basic functional position has emphasized the contributory functions of gambling. However, any accommodation to sociocultural inconsistencies must be guarded lest it become a social problem in and of itself. Gambling has also been viewed as dysfunctional in that it is disruptive to a family, condu-

6. Ibid., p. 956.

7. Ibid., p. 549. An additional secondary function of gambling as viewed by Devereux is that "gambling can revitalize orientations to certain economic goals . . . which play a vital role in our capitalist economy." Ibid., p. 946. These orientations include risk assumption, combat, and adventure. This is particularly true for the middle class, which tends to play down the value of these characteristics. In sum, and paradoxically, the major economic institutions are reinforced both by participation in gambling and by denouncing it. Devereux can resolve the paradox only by judging it as a necessary ambivalence in our system of social organization.

cive to criminal activities, and disruptive of an individual's normal capacity to work.[8] The fact that most gambling is recreational, rather than compulsive, in nature would suggest that these criticisms are not entirely valid. Petty or recreational gambling could be permitted as long as it does not divert major resources. The same functional justification for the existence of gambling is associated with the existence of organized crime.[9] The latter also provides a segregated setting in which frustrated persons can pursue values not promoted by the dominant ethical and economic systems without serious disruption to that system.

Anomie, alienation, and decision making

A logical extension of the functional approach is the application of three less developed theories of gambling behavior: anomie, alienation, and decision making. Each emphasizes the fact that participation in gambling can provide an opportunity for success, experimentation, self-reliance, or other expressive modes of thought and behavior not available in the traditional economic system.

Merton's anomie theory directly addresses the cultural contradictions of the capitalist system, namely the "non-alignment of cultural goals (i.e., success) and structural conditions." Society pressures persons to be successful, but denies equal access to the means of attaining this success.[10] The result is a series of adaptations, one of which can be innovative behavior that calls for seeking approved goals via culturally unapproved means, namely illegal activity such as gambling. Gambling thus provides an opportunity, although generally illegal, for persons to alleviate the frustrations experienced in their efforts to be successful, a socially approved goal. This view has led, naturally enough, to an assertion that denied opportunity explains a great deal of lower- and working-class gambling.

Alienation theories suggest that those persons most frustrated on the job will be more likely to gamble. Frustration emanates from psychological feelings of powerlessness and a lack of job autonomy. Gambling provides the opportunity to gain feelings of self-reliance and control not found on the job. The major testable proposition in this theory is that the lower the status of the job, the more likely it denies self-expression and the more likely those in this type of job will gamble. Regularized employment reflects the basic condition of industrial capitalism and, as such, it is usually alienating. Gambling breaks the stranglehold of this alienation by permitting thrill-seeking and self-indulgent behavior.

The theories of alienation and gambling are complemented by those perspectives that focus on the decision-making component of gambling. The best expression of this theme is found in Herman's study of racetrack betting, in which he asserts that gambling permits the individual to exercise control. That

8. Herbert A. Bloch, "The Sociology of Gambling," *American Journal of Sociology*, 57:215-21 (Nov. 1951); Virgil W. Peterson, "Gambling—Should It Be Legalized," *Journal of Criminal Law and Criminology*, 40:259-329 (Sept.-Oct. 1949).

9. Thomas Schelling, "Economic Analysis of Organized Crime," in *Task Force Report: Organized Crime* (Washington, DC: President's Commission on Law Enforcement and Administration of Justice, 1967).

10. Robert K. Merton, "Social Structure and Anomie," *American Sociological Review*, 3:672-82 (Oct. 1938).

is, the individual is given a rare chance to weigh the costs and benefits of an action and to make what he or she feels is an appropriate decision. This kind of deliberation is not ordinarily possible in normal, daily activity, particularly at work.[11] Zola's study of an illegal off-track betting parlor suggests a similar motivation for participants. He states, "By 'beating the system,' or outsmarting it by rational means, these men demonstrated they can exercise control and that for a brief moment they can control their fate."[12] Again, lower-class gambling is predominantly associated with this pattern.

In addition to acknowledging the contradictions of capitalism and the frustrations produced by the economic system, each of these theories stresses the tension-management or safety-valve function of gambling—the major tenet of the functional approach. If there is not some outlet that deflects one's attention from the inconsistencies of the sociocultural system, serious disruptions could occur.

A Marxist view of gambling

A strictly Marxist interpretation of gambling behavior does not exist, although the perspective has been applied to analyses of the evolution of gambling laws.[13] The closest parallel can be found in critical analyses of sport or athletics. In any case, a Marxian interpretation uses the same starting point as does the functionalist: conditions of industrial capitalism and its concomitant bureaucracies produce day-to-day work or life situations that are potentially alienating. Frustration resulting from these conditions creates the need for tension management through escapist activities such as sports spectacles or gambling.[14]

Instead of assigning system-stabilizing functions to gambling, the Marxist would assert that the sanctioning of gambling by the political and economic structures represents an effort by elites to manipulate and exploit the masses of a society. Further, the needs of capitalistic production shape the nature of gambling—where it is played, the extent to which it is available, and who will participate. By permitting safety-valve outlets, potentially revolutionary energies are diverted from political activity. However temporary, a sense of false consciousness is created among the exploited workers. They will be less likely to view their life situation as totally debilitating if they can engage in a little fun and experience momentary emotional exhilaration via gambling. In addition, the belief in luck further falsifies the worker's conscience and diverts attention from reality with the fantasy of the possibility of instant riches. Therefore, in the Marxian sense, gambling continues to serve the political

11. Robert K. Herman, "Gambling as Work: A Sociological Study of the Racetrack," in *Gambling*, ed. Herman (New York: Harper & Row, 1967), pp. 87-104.

12. I. K. Zola, "Observations on Gambling in a Lower Class Setting," *Social Problems*, 10:30 (Spring 1963).

13. See other contributions to this volume; Cornell Law School, *The Development of the Law of Gambling* (Ithaca, NY: Cornell University, 1977); John F. Galliher and John R. Cross, *Morals Legislation without Morality: The Case of Nevada* (New Brunswick, NJ: Rutgers University, 1983).

14. Detailed accounts of a Marxian view of sport can be found in Jay J. Coakley, *Sport and Society* (New York: H.V. Mosby, 1982); Allen Guttmann, *From Ritual to Record: The Nature of Modern Sport* (New York: Columbia University Press, 1978).

and economic needs of the system while maintaining control over potentially disruptive forces. Gambling can then take its place alongside religion and sport as an opiate of the masses.

Action analysis and the group process

Most of the theories previously discussed are class based in that they tend to gear their analyses to the exigencies of lower- and working-class life. These perspectives also tend to be phrased on a macroscopic level by focusing on the larger structural or cultural trends likely to be conducive to promoting gambling behavior. On a more microscopic level there is a second set of theories that emphasize an interactional component of participation in risk-taking activities, notably gambling. The foremost exponent of these theories is Erving Goffman.

Goffman was interested in studying temporary interactional enterprises in natural settings. One such enterprise involves the deliberate seeking of risk taking, or "action." Action is found "whenever the individual knowingly takes consequential chances perceived as avoidable."[15] Action is thus voluntary and tends to be found in commercialized competitive sports, nonspectator risky sports, and commercialized places of action, such as carnivals and bowling alleys. Action activities are consequential and fateful in that something of value can be won or lost on the outcome, and, by committing something of value, players indicate their seriousness. The greater the consequences, the more fateful the enterprise becomes. The pursuit of risk taking, or action, is highly valued in Western and American culture. We still believe that the truest record of an individual's character is revealed in his or her reaction to fateful activities sought by choice. It is these activities that constitute action. Gambling is an archetype of action of fateful activity.

Gambling is representative of the kind of risk-taking behavior that is highly valued in Western society, but according to Goffman there are few opportunities to participate in action activity, since the routinization of everyday life systematically eliminates this possibility. Gambling provides one socially acceptable arena wherein action can be pursued.

By participation in action-oriented settings one can demonstrate character or performance under stress. In these situations a person is judged not so much by demonstrated skill but by behavior and certain moral traits exhibited. These include courage, gameness, integrity, gallantry, compromise, and presence of mind. The attractiveness of action participation is not in its impulsive or irrational nature, but in the possibility of demonstrating character. Modern society provides very few possibilities for such an exhibition. Gambling thus presents an opportunity for display, or an extrinsic desire to demonstrate self-composition to the outside world. Thus the nature of play is much less important than the appearance of play.

Goffman's analysis bears a resemblance to functionalism, particularly with its emphasis on the reduction of action opportunities in everyday life, in spite of a positive cultural evaluation of going where the action is. Action does seem to represent those subterranean values of toughness and excitement that are de-

15. Erving Goffman, *Interaction Ritual: Essays on Face-to-Face Behavior* (New York: Anchor Books, 1967), p. 194.

valued in the mainstream culture, yet Goffman does not clearly discuss these relationships. A natural conclusion from Goffman's analysis is that society is stabilized by permitting persons to seek segregated, controlled, action-oriented, shock-absorbing outlets.

Goffman's conception of a focused group is also applicable to the analysis of gambling behavior. "Focused group" refers to a set of persons engrossed in a common flow of activity and relating to one another in terms of that flow.[16] The natural unit for focused interaction is what Goffman designates an "encounter," in which the participants are in close, face-to-face interaction, concentrating on one task, and the direction of interaction takes the form provided by the situation. Examples of encounters or focused interaction groups include conversations, board games, poker games, or the crowd milling around a craps table.

Goffman's work clearly demonstrates the potential of gambling activity for further sociological research, particularly at the interactional, phenomenological level. Yet, as with the functional/conflict theories, little has been done to date. As a result, we know little about the dynamics of gambling behavior, including the range of motivations for participation or impact of gambling on subsequent behavior or society.

RESEARCH RESULTS

Despite the paucity of theoretical treatises or research investigations on the sociological nature of gambling, I shall attempt a summary of what is known about gambling behavior from a sociological viewpoint. Where possible I will also relate these empirical findings to existing sociological theory.

One of the first sample surveys on a national population was Tec's study of football betting by men in Sweden.[17] The purpose of the 1960 study was to test various assumptions about the possible negative impact of gambling on gamblers and society. This study also included tests of the presumed association between gambling and social class as it illustrates opportunity theory.

In comparing bettors to nonbettors Tec found that gambling was not likely to lead one to neglect friends nor to become too dependent on them; gamblers were not less likely to be able or willing to assume adult roles, for example, as spouses; and they were not less likely to neglect marital obligations or be less satisfied with their life at home.[18] Tec also found that, while the size of the bet increased with income, bettors took their financial conditions into consideration, and gambling did not, therefore, produce financial hardship. This was also true for lower- or working-class bettors, who in fact bet less than had been assumed by most class-based admonitions against gambling. This finding is repeated in several studies, and it negates arguments against legalizing gambling that are founded on some paternalistic concern for protecting the poor.

Investigating the proposition that gambling makes persons somehow less productive at work or damages initiative for upward occupational mobility, this study turned up some surprising results. More bettors than nonbettors were employed; 41 percent of bettors as

16. Goffman, *Interaction Ritual.*,

17. Nechama Tec, *Gambling in Sweden* (Totowa, NJ: Bedminster Press, 1964).

18. Ibid., pp. 19-22.

opposed to 37 percent of nonbettors were enrolled in adult education to improve their occupational condition; and an equal proportion of bettors and nonbettors were engaged in on-the-job training programs.[19] There was no inclination for bettors simply to quit unsatisfactory jobs; instead, they expressed more determination than nonbettors to seek new jobs to compensate for their dissatisfaction. Finally, Tec demonstrated that unemployment does not necessarily lead to more gambling. Rather, these findings would suggest that the worse one's financial condition, the less likely one is to gamble.[20] This finding contradicts anomie theory, which might predict the opposite in behavior.

Tec also found bettors and nonbettors equally likely to be active in community affairs, to belong to and hold office in voluntary organizations, and to vote in national elections.[21] Thus there is no support for the assertion that gambling is related to noninvolvement, an indicator of alienation.

Tec's data show that most myths about the harmful effects of gambling are not substantiated by research. These myths typically do not distinguish between the impacts of excessive, addictive gambling and those produced by reasonable, moderate participation. Tec's findings verify an earlier survey in England and a later study of lottery participants that also concluded that it was incorrect to generalize the negative effects of excessive gambling to all types of gambling.[22] Thus we see that sociological research in the early 1950s was beginning to shed some light on the nature of gambling activity. These studies opened the door for additional research and, I maintain, provided a great deal of background justification for public policy that was taking a more favorable view toward the legalization of gambling.

The effects of social class

A second phase of Tec's research was designed to test the relation between social class and betting. This study is especially interesting to sociologists, since opportunity theory and the assumptions about lower-class deviance were tested. Tec found that the more accessible conventional channels were for the fulfillment of mobility aspirations, the less likely it was that one would gamble. This was especially true for the elite of the lower class, who had more contacts with upper-class individuals and who were then able to draw more comparisons—for example, relative deprivation—with their life-style. This produced aspirations for mobility, and these aspirations were confronted with obstacles because of the lack of preparation and qualifications required to achieve higher status.[23] Those frustrated individuals would turn to activities like gambling to provide hope, how-

19. Ibid., p. 24.

20. One study of the trends of social crises and social booms demonstrated that gambling does, in fact, decline during periods of depression and increase during periods of prosperity. Ernest R. Mowrer, "Social Crises and Social Disorganization," *American Sociological Review*, 5:64 (Feb. 1950).

21. Tec, *Gambling in Sweden*, pp. 26-27.

22. *Royal Commission on Betting, Lotteries, and Gaming: 1951 Report* (London: Her Majesty's Stationery Office, 1951); David Weinstein and Lillian Deitch, *The Impact of Legalized Gambling: The Socioeconomic Consequences of Lotteries and Off-Track Betting* (New York: Praeger Publishers, 1974).

23. Tec, *Gambling in Sweden*, p. 67.

ever temporary, of achieving their dreams. This association was verified in research, and it also supports Devereux's generalization about the relation of the apparent inability to get ahead, gambling, and opportunity.

Finally, these data suggest that the propensity to gamble is not necessarily determined by social class characteristics, but rather by the extent to which upward mobility aspirations are held. Using Gallup poll data from a 1971 national study, Wen and Smith studied the relationship between gambling propensity, economic status, community size, and status inconsistency—a felt discrepancy between class location and desired class status.[24] These studies verified Veblen's earlier assertion that the higher one's income, the more likely one is to gamble, but the finding was nonlinear since at later stages of the life cycle, when one is earning a higher income, the propensity to gamble is lower. More important, their data supported the association of status inconsistency and gambling, but it was not a statistically significant association. They concluded that occupational status is less influential than income in producing a propensity to gamble.

In contrast to these studies, Newman's study of a betting shop suggests that lower-class gambling is not motivated by relative deprivation or a desire to be middle class—that is, the embourgeoisment hypothesis. He found that the betting shop negated status distinctions and provided an affective setting that stressed sociability and group-centeredness. Bettors were, in fact, rejecting the characteristics of modern, bureaucratic, middle-class society in favor of the traditional, working-class subculture. The betting shop provided a setting akin to Goffman's action-oriented focused group and Zola's off-track betting site, but Newman's was even more communal.[25] These studies may not be comparable since their methodologies stand in stark contrast, but each sheds some light on the complex relation of key sociological variables, such as social class, status inconsistency, and mobility, to gambling. The findings also suggest that opportunity theory has some applicability to gambling behavior, but the extent to which it is valid is somewhat uncertain.

Sociologists have also applied the theme of blocked opportunity and status frustrations to explanations for the existence of illegal enterprises, particularly numbers gambling, among the lower classes and certain ethnic minorities.[26] This perspective asserts that blocked conventional opportunity paths lead persons to select illegal opportunity avenues and that these persons are, in fact, rewarded for doing so with, for example, prestige from their peers.

These theories neglected the demographic and cultural characteristics of minorities and attributed deviance to particular American social organization

24. Wen Lang Li and Martin Smith, "The Propensity to Gamble: Some Structural Determinants," in *Gambling and Society*, ed. William R. Eadington (Springfield, IL: Charles C Thomas, 1976).

25. Otto Newman, "The Sociology of the Betting Shop," *British Journal of Sociology*, 19:17-33 (Mar. 1968).

26. Ivan Light, "Numbers Gambling among Blacks: A Financial Institution," *American Sociological Review*, 42:892-904 (Dec. 1977); Ivan Light, "The Ethnic Vice Industry, 1880-1944," *American Sociological Review*, 42:464-79 (June 1977). There is a long-standing theoretical tradition in sociology that attributes certain types of deviance to the lower class. The social disorganization and anomie perspectives are examples.

patterns that emphasized certain values but denied equal opportunity to means to actualize these values. Ethnic succession in organized crime is attributed to the ability of minorities to vault from income obscurity to mainstream success via illegal means. There is no question that lower-income individuals and certain ethnic minority groups do engage in numbers betting more than other groups, but anomie theory offers only a partial explanation of the phenomenon.

Much of the relevant literature has described numbers gambling as a wasteful consumption practice that relies on a belief in luck, spiritualism, and dream interpretation, characteristics viewed as peculiar to the cultural orientation of blacks and low-income persons.[27] These cultural explanations lose force in the face of the fact that a large proportion of non-blacks and middle-income people play the numbers.

A recent New York City study and a national study revealed that less than 50 percent of the numbers players were black.[28] This finding indicates that, though anomie theory works for the analysis of big-prize lottery bets in times of depression, it does not account for the regular pattern of small betting found in most communities. Rather, contrary to Whyte's assertion that numbers gambling is a mechanism to break the monotony of lower-class life, Light observed that numbers gamblers do not gamble for entertainment or thrills, but rather see their $.50-to-$1 bets as investments.[29] Betting is a long-range, rational strategy of saving money. The ultimate big win is equivalent to drawing out the savings that might otherwise have been spent on some frivolous item. In addition, the network of individuals and organizations established in a numbers operation provides a source of stability and integration for the neighborhoods in which the activity is located.[30]

Thus numbers participation is not necessarily a reaction to blocked aspiration or to peculiar cultural beliefs. Rather, it is a product of cultural tradition, location, and price. People do not play with the expectation of a major life-style change if a big win occurs, but only to have a little extra money. In fact, many non-white numbers bettors see efforts to legalize numbers as a deliberate intrusion on their life-style by reducing neighborhood integration and as a way for the white government to take over a source of black neighborhood revenue.[31]

A test of several theories

The most ambitious effort to test sociological theories of gambling was undertaken in 1968 by Downes and his associates in England.[32] They noted the

27. George J. McCall, "Symbiosis: The Case of Hoodoo and the Numbers Racket," *Social Problems* 10:361-71 (Spring 1963); G. G. Carlson, "Numbers Gambling: A Study of a Culture Complex" (Ph.D. diss., University of Michigan, 1940).

28. *Legal Gambling in New York: A Discussion of Numbers and Sports Betting* (New York: Fund for the City of New York, 1977); National Commission, *Gambling In America.*

29. National Commission, *Gambling in America,* p. 876; William F. Whyte, *Street Corner Society: The Social Structure of an Italian Slum* (Chicago: University of Chicago Press, 1955).

30. Numbers is also part of a subterranean financial institution performing many of the same functions for a community that would be handled ordinarily by a bank—giving credit, reinvestment, and savings. Thus numbers augments conventional banks that do not serve low-income and minority neighborhoods very well.

31. National Commission, *Gambling in America,* p. 343.

32. David M. Downes, B. P. Davies, M. E. David, and P. Stone, *Gambling, Work, and Leisure* (London: Routledge and Kegan Paul, 1976).

absence of any hypotheses, much less any interrelated propositions about gambling behavior that could be designated a theory. Thus, several quasi-theories or propositions about anomie, alienation, working-class culture, functionalism, decision making, risk taking, work-centered leisure, and home centeredness were tested by Downes and his associates. Their results proved somewhat disconcerting, since almost all of the propositions were substantiated, but not to a significant extent. It seems, then, that we know something—but nothing definite—about gambling behavior.

The first set of propositions tested came under the structural-functional heading, and I include the anomie perspective here. Drawing on Devereux's theory, Downes tested two hypotheses: (1) involvement is at its lowest among the Protestant middle class; and (2) gambling increases as one moves away from this sector. The thought was that the middle class, so endowed with the Protestant ethic, would be the most intolerant of gambling. The results were inconclusive, although there was some support for these hypotheses, particularly when sample flaws were controlled. The finding supported Tec's data suggesting that the more middle-class values were stressed, the less likely one was to gamble. Socialization proved to be a greater deterrent to gambling than did the law or threat of punishment. The National Commission study also offered support for this position, as will be outlined later.

With respect to anomie theory, the propensity to gamble should be inversely related to social class, and within a social class the same inverse relation should hold. The data did not support these hypotheses, except for high-involvement gamblers. Presumably the upper working class in the low-income categories should feel the most strain, as Devereux and Tec assert, and therefore gamble more. Yet, they were less likely to gamble than those with upper income within a class, according to Downes. Again, sampling problems prevented more substantial interpretations. In sum, even though there is some evidence to support Devereux's thesis, the functional approach, particularly the safety valve concept, has virtually no support in Downes's study, or in any literature for that matter.

The propositions on alienation suffered a similar fate in this study. Downes found no relation between the propensity to gamble and indicators of alienation, such as job autonomy and effort required on the job. They did find some support for Zola's and Herman's proposition that gambling provided an opportunity for decision making not found in work roles. However, as with other findings, this result was not statistically significant. Thus the theories relating gambling and alienation could not be substantiated.

Downs and his associates went on to test the view that the working-class culture was distinct and particularly amenable to gambling. This meant that they had to show that a higher propensity to gamble existed in the working class, and that those adhering most strongly to the working-class culture would be more likely to gamble. The belief in luck was used as a major indicator of working-class culture. While Downes found that the belief in luck was more characteristic of the working class than other classes, he found no support for the assertion that belief in luck was directly associated with gambling activity, that those rated high on gambling involvement

would be more likely to gamble, or that parental gambling was more characteristic of the working class.

Thus no support was found for hypotheses that gambling is intrinsic to the working class. What was discovered was that class did not seem to be a good basis for explaining the frequency of gambling behavior. If anything is clear in the sociological research on gambling it is that factors promoting gambling are present in all categories of social structure, not localized in class or status.

Finally, Downes tested Goffman's theory by looking at the relation of the propensity to take risks and gambling. It was hypothesized that those who held occupations at the extreme end of a risk continuum would be more likely to gamble and that, within each occupational group, those most oriented to action would be more likely to gamble. Although the hypotheses were not generally supported, Downes and his colleagues found that middle-class men in low-risk occupations tended to use gambling as an action surrogate, while men in high-risk, working-class jobs did not gamble in search of an action substitute: they had plenty of action on the job. This possibly explains some middle-class gambling in terms of the functional displacement theory, which emphasizes the regularity of everyday life as a determinant of gambling. However, such analyses should be accepted with caution, since proper measurements are not available in this or any study of the functions of gambling.

Patterns of American gambling

The final research effort, while not done to test any social science theories of gambling, does have implications for the explanation of gambling behavior. This is the already mentioned 1974 study conducted by the Michigan Survey Research Center under the auspices of the Commission on the Review of the National Policy toward Gambling.[33] The national survey represents the most recent and most comprehensive effort to obtain reliable data on the gambling behavior of Americans.

In all, 61 percent of Americans indicated that they had gambled during 1974; 68 percent had gambled in their lifetime. Further, only 11 percent of the sample had ever participated in illegal betting. The propensity to gamble was greatest for those who were from the Northeast; male; single; white; in higher income brackets; of British, Irish, or African extraction; had attended college; and lived in suburban areas. Some variations occurred with respect to illegal gambling; for example, non-whites were more likely to bet illegally than were whites.

A major conclusion from this survey was that betting seemed to be a universal phenomenon, with less than 50 percent participation found only among those over 55; with incomes less than $5000; widowed; Southerners; and without a high school degree.[34] Most people bet to "have fun with friends," "to have a good time," "for excitement," or for the challenge. Few bet to make money, except in the cases of lotteries. Only 30 percent of bettors reported being deterred by laws; most would continue to bet even if there were laws against it. Thus gambling seemed to be essentially rational behavior tied to "realistic assessment of income available." This was not the case for the 1 percent or so who could be classified as compulsive gamblers.

33. National Commission, *Gambling in America.*

34. Ibid., p. 11.

There was a significant variation in the characteristics of bettors when the volume of betting was considered. Light bettors reflected the distribution of characteristics found in the general population. Moderate bettors—betting $51-$200 a year—have characteristics similar to the general population but tended to be noncollege, Catholic, urban, and residing in the Northeast. Most of these played the lottery. Heavy bettors—betting $200 and more—who tended to bet at the horse track and illegally were more than likely males, non-white, aged 25-44, divorced, earning moderate to high incomes, and living in the Northeast.

The employed bet only slightly more than the unemployed. The largest share of bettors gambled with friends, a finding that suggested that the associational components of a gambling setting, whether it be a neighborhood poker game or an off-track betting shop, provide for bettors affective settings not found in other settings. However, it would be important to know more about associational or social networks among bettors to verify this phenomenon.

Most nongamblers came from rural areas and were taught at an early age that gambling is sinful. An experience in the armed forces often proved conducive to gambling, particularly illegal gambling. The study concluded that "the factors that most consistently differentiate gamblers from non-gamblers are the degree of an individual's exposure to gambling and the availability of that activity."[35] Thus, if one is exposed as a child to gambling—for example, parental play or the high school poker game; if one knows persons who gamble currently; if opportunities to gamble are available; and if it is legal, one will be more likely to gamble. Therefore, with the widespread legalization of gambling and the increasingly tolerant view of gambling, it is likely that an even greater portion of the population will be gamblers. This finding holds for illegal gambling as well and offers some support for opportunity theory. The sociologists' formidable task will then be to explain nongambling in the face of potentially strong and certainly widespread situational pressures to gamble.

There was some effort to relate gambling to current social problems by using commission data, but there was a problem in determining whether gambling was the cause or the effect. The study did reveal an association between gambling and divorce, separation, marital discord, child-rearing problems, job dissatisfaction, and alcoholism. However, further work must be done to determine the proper order to these relationships or if other factors were influential.

CONCLUSION

Since the 1974 study there has been little or no research activity on gaming and gambling. Investigations into the impacts of legalization, particularly economic, are under way in many states. Social science data are being used selectively if at all. This is unfortunate, because gambling studies represent an area in which sociologists could make a contribution to public policy as well as have an opportunity to enhance the discipline's understanding of many of its key concepts and ideas.

Gambling studies can contribute to a basic sociological understanding of concepts such as risk taking, interaction processes, role conflict, illegal economy,

35. Maureen Kallick-Kaufman, "The Micro and Macro Dimensions of Gambling in the United States," *Journal of Social Issues,* 35:24 (1979).

social control, and socialization. In addition, gambling provides an opportunity to study theories of deviance and criminality, particularly those in the alienation and anomie traditions. Theories of play, leisure, and recreation can also be tested in gambling settings, as can perspectives on the sociology of work, complex organizations, and occupational careers. Previous studies, with their methodological and conceptual flaws, have been heuristic but hardly definitive. The fact that just about every member of a society has participated or continues to participate in gambling of one form or another should tell social scientists that gambling is serious behavior worthy of their systematic and scientific attention. The sociologist should also be able to take advantage of the fact that, as more political jurisdictions consider gambling as a revenue alternative to offset increasing costs, solid data on the impact of gambling on various social institutions will be required by public policy analysts.

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Gambling as Play

By JAMES F. SMITH and VICKI ABT

ABSTRACT: Individuals are socialized into a culture by means of various myths and rituals characteristic of that culture. Among the rituals that reflect, articulate, and transmit cultural myths are play and games. Materialism and competition are two distinguishing traits of the American character that are reflected in the games children and adolescents play; and in a world that encourages great expectations while offering diminishing opportunities for fulfillment, the playing of gambling games provides a form of recreation that is a product of and a contributor to prevailing cultural myths. The cultural context of childhood and adolescent socialization is discussed. Within this context, selected games combining chance and skill illustrate ways in which individuals learn to bet. As teacher and mirror of cultural values, such games may actually predispose Americans to gambling behavior, and it is not surprising that commercial gambling among adults has become such a significant social, economic, and cultural issue in contemporary American civilization.

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IN American society today, few myth-makers are as powerful as those found in our popular culture. No state-sanctioned religion or mandatory course of instruction indoctrinates the young in approved social mores and beliefs. Instead, we are socialized by the culture that surrounds us—the example of elders and peers, the stories we are told, the media that inform us, and the games that we play. As children grow to adulthood, the examples and lessons become increasingly formalized, and the demands of the culture become more clearly articulated. Nevertheless, play and games continue to function as an important dimension of culture, providing release from the restrictions of everyday life while simultaneously reflecting the very myths that hold the culture together. The world of play and games offers a varied menu of rituals, myths, icons, and heroes that articulate, reinforce, and transmit cultural values in a manner very similar to that of religion:

> In the form and function of play, itself an independent entity which is senseless and irrational, man's consciousness that he is embedded in a sacred order of things finds its first, highest, and holiest expression.[1]

Johan Huizinga has noted that play is "pointless"—by definition it is make-believe—and it is also significant, part of the process by which human beings become socialized into their culture.[2] Play is a world-building activity,[3] but the world of play is consonant with the world around us.

Roger Caillois defines play as a free and voluntary activity, a source of joy and amusement that is essentially a separate occupation, carefully isolated from the rest of life and bounded by precise limits of time and place. It is governed by a set of arbitrary, specific, and unexceptional rules, and furthermore it has no meaning other than its own intrinsic meaning.[4] Play, especially the playing of games, is also uncertain; neither the precise course of the game nor the outcome is known to the participants beforehand. And finally, play is unproductive in that no wealth or goods are produced, although they may be exchanged in the course of the game. Within such a broad definition we can find many types of play and games, and among them are the various forms of gambling. It must be noted, however, that commercialization brings about significant change in the nature of play and games. The business of games influences the play of games by making it less self-limiting and giving it more consequence in the real world. This effect may be seen in commercial playlands such as Disneyland as well as in the various forms of commercial gambling. However, the commercialization of play is yet another way that play reflects the culture that contains it.

Mike Goodman, a professional gambler and gaming executive, tells this anecdote from his boyhood:

> When I was a very young boy, I was shooting crap for pennies with the other youngsters. Suddenly a cop turned the corner and we were caught. Everyone else made a run for it. I stood there and pleaded with the policeman, "Just let me see if I can make the four."[5]

1. Johan Huizinga, *Homo Ludens: A Study of the Play Element in Culture* (Boston: Beacon Press, 1955), p. 17.

2. Ibid., p. 15.

3. Erving Goffman, *Encounters: Two Studies in the Sociology of Interaction* (Indianapolis: Bobbs-Merrill, 1961), p. 27.

4. Roger Caillois, *Man, Play, and Games*, trans. Meyer Barash (New York: Schocken Books, 1979), pp. 6-10.

5. Mike Goodman, *How to Win* (Los Angeles: Holloway House, 1963), p. 89.

Needless to say, Goodman's case is not typical of young children. Most American youngsters do not lead the kind of street life that Goodman depicts. In fact, the majority of Americans probably grow up with quite different attitudes toward gambling. For some, gambling is portrayed as an evil, a sin that parents and other authority figures would forbid. For other, games of chance are relegated to the world of grown-ups, who have the money and discretion to participate. A few might be exposed to gambling games at an early age, but only playing "for fun"—no money involved—or on special occasions. Even in the story above, Goodman is seen as the exception: all his cronies ran for safety; he alone was so enthralled by the game that he wanted to see it through to its outcome.

While this illustration is extreme, it is clear that children and adolescents do learn to bet. A person does not magically become a gambler at a certain age. Various cultural signals actually condition would-be gamblers. The media participate by romanticizing stories about gambling and gamblers, frequently showing daring, larger-than-life heroes thriving on risk, and also by giving enormous publicity to game show contestants or gamblers who win substantial prizes. American cultural myths and values ironically reinforce the materialism, the longing for material reward, and the excitement of pursuing dreams that characterize many gamblers' fantasies. Finally, the ritualized play of several childhood games provides training for future gambling activity and in some cases may be seen as a kind of gambling in itself. In this way, the reflecting and teaching functions of culture may actually predispose Americans to gambling behavior; thus it comes as no surprise that commercial gambling occupies the significant social, economic, and cultural position that it does in American society today.

THE FUNCTION AND CLASSIFICATION OF GAMES

One way to understand games and play is to see them as social fictions. Like any good fiction, games can reveal truth about the human condition. In their world of make-believe, games do not replace reality, but they do suspend the consequences of real life for the duration of play. Often the games we play mirror, if only obliquely, our real lives, and in the context of play the suspense, conflict, and uncertainty of life become easier to manage. As Roger Caillois suggests, the playing of games

> stimulates ingenuity, refinement, and invention. At the sames time it teaches loyalty in the face of the adversary and illustrates competition in which rivalry does not survive the encounter. To the degree that he is influenced by play, man can check the monotony, determinism, and brutality of nature. He learns to construct order, conceive economy, and establish equity.[6]

Further, there is a marked coincidence between the principles that rule various kinds of games—whether they are games of chance or games of skill—and those that characterize the web of human interaction in culture. Among these are

—the need to prove one's superiority;

—the desire to challenge or overcome an obstacle;

—the hope for and the pursuit of the favor of destiny;

—the desire to test one's strength, skill, endurance, or ingenuity;

6. Callois, *Man, Play, and Games*, p. 58.

—conformity to rules and laws, the duty to respect them, and the temptation to circumvent them.[7]

In the context of a competitive and materialistic culture that has become increasingly regimented and standardized and that allows comparatively little room for individual creativity and personal achievement, games provide an important outlet for these human tendencies, offering at least the illusion of control over destiny and circumstance, and providing a clearly defined conclusion through the final outcome of play. Too often life does not tell us whether we are right or wrong, whether we have won or lost; by the end of a game, we have no room for doubt.

Among Caillois's four categories of play and games—agon (competition), alea (chance), mimicry (simulation), and ilinx (vertigo)—there is a complementary pair that is crucial to consider in order to understand the function of games in American culture. The combination of competition and chance, skill and luck, is characteristic of the games played by most Americans. Once play becomes formalized through the institution of rules leading to the inevitable naming of winners and losers, either superior skill or the blessing of fortune—or, more likely, some of each—will determine the outcome.

While there are undeniably games of pure chance, such as a lottery, and games of skill, such as chess, many popular games played by children and adolescents blend these two characteristics in a formula that allows a somewhat more egalitarian participation. A game of skill is dominated by participants of superior ability; a game of chance is too capricious. But a game that combines both allows skill to influence the outcome without predetermining it; it allows less skillful players to compete while knowing they have at least a chance for success; and it makes a win more significant than if it were simply a chance outcome. The social function of such games is clear. In the context of modern competition, which may discourage the timid or less talented, games that combine skill and luck offer an outlet for the human inclination to challenge others and destiny itself.

GAMES, SOCIALIZATION, AND SEX ROLES

Competitiveness and aggressiveness are traits that are cultivated in males as part of their socialization process and may be seen in the culture of American childhood:

> The clothing and games of boys are matched to a world that is to be both rough and tough. Just as a young girl's toy dishes, appliances, dolls and doll houses are the preparation for her adulthood, the boy's cowboy suits, guns, racing cars, and spacemen are preparation for his adult male world.[8]

While young females play roles of cooperative and caring responsibility in many of their games, young males act out patterns of competitive and daring achievement, as can be seen in the popularity of athletics among boys.

However, since not all young males are endowed with equal shares of strength, endurance, and coordination, traditional athletic contests that are primarily games of competitive skill may not offer satisfactory avenues of play to each.

7. Ibid., pp. 64-65.

8. Leon Chorbajian, "The Social Psychology of American Males and Spectator Sports," *International Journal of Sport Psychology*, 9(3):167 (1978).

While it is true that anyone can be a spectator and root for a winning team, most people desire the opportunity to test their strength and skill against an adversary—either an opposing player or team or an established record of achievement. Games that combine a measure of skill and talent with the impartiality of blind chance offer the most favorable conditions for such competition. Since competition is a key factor in American civilization, the popularity and cultural significance of such games is assured.

Perhaps the idea of competition, influenced by varying degrees of skill tempered by chance, accounts for the popularity of certain gambling-like games among young boys and for the prevalence of gambling behavior among adult males. When American gambling attitudes and behavior were surveyed in 1974, males outnumbered females in virtually every category of gambling participation.[9] Courage, bravery, and independence have been important psychological traits in American males since the time of frontier exploration and conquest, and these traits continue to be prized in the industrialized and technology-oriented late twentieth century. However, in almost every conceivable way, real life in America today contrasts sharply with the myths of earlier times. Men are no longer as independent as the fabled frontiersmen:

> Protection of the family has passed into the hands of the police bureaucracies and insurance companies, and few men build their own homes or grow their own food.... To one degree or another virtually everyone in the work world follows orders, has others inspect and judge [his] work, and finds it necessary to compromise opinions.[10]

As young males are being socialized into a world so deeply at odds with the myths and attitudes passed down intact from an earlier time, it is little wonder that sports and related childhood games and amusements have such an attraction; and it is equally clear why the fascination with the safe and limited competition of games does not diminish when the youngster enters adulthood.

Erving Goffman analyzes gambling encounters involving face-to-face interaction in "Where the Action Is."[11] "Action" is defined as "activities that are consequential, problematic, and undertaken for what is felt to be their own sake."[12] Such action is clearly a primary component of games, and it follows a ritual of squaring off—in which a challenge is presented and the rules are set; determination—the actual play producing an outcome; disclosure—the brief but suspenseful time between the completion of the event and the participants' awareness of the result; and finally the settlement—in which the participants acknowledge the result.[13] Goffman goes on to state that scenes of action are primarily male-dominated, and such competition belongs to the cult of masculinity.[14] One reason for this is that such fateful encounters are occasions for the display of forms of character: courage, integrity, gallantry, and composure.[15] These virtues, too, are

9. Commission on the Review of the National Policy toward Gambling *Gambling in America* (Washington, DC: Government Printing Office, 1976), pp. 58-59.

10. Chorbajian, "The Social Psychology of American Males," p. 168.

11. Erving Goffman, *Interaction Ritual: Essays on Face-to-Face Behavior* (Garden City, NY: Anchor Books, 1967), pp. 149-270.

12. Ibid., p. 185.

13. Ibid., p. 154.

14. Ibid., p. 209.

15. Ibid., pp. 218-37.

part of the male stereotype mirrored and reinforced by games and athletic contests. In a sense, the participants gamble these character traits—and their sense of self—when they engage in a game or contest, and if they make a good showing, they can enhance their ego while acting in culturally approved ways.

GAMES AND GAMBLING

As noted earlier, relatively few children have either the inclination or the opportunity to wager money on an uncertain outcome in the hope of monetary reward. Some children who do so may be reprimanded and forced to return wagers if the gambling activity is known to parents or other adults in authority. Adolescents may find greater opportunity to gamble and have more inclination to bet, especially if they have their own money and are part of a receptive peer group, but there are no reliable figures on which to base conclusions about adolescent gambling involvement. It is safe to say, however, that it is more likely for males to gamble than it is for females, primarily because of adult role models and the socialization into acceptable sex roles. Gambling is very likely to occur in male groupings, as in the case of a man who learned to play poker as an adolescent caddy—he and his comrades passed the time between rounds, often winning or losing more than they would make in a day. Further, the 1974 survey by a national commission revealed that military service seemed to have the effect of stimulating gambling behavior.[16]

Nevertheless, a number of childhood and adolescent games bear a strong resemblance to gambling behavior and in some cases are actually gambling experiences. Not surprisingly, the majority of participants in these games are boys, although there is no formal prohibition against girls' entering the game. Perhaps those who do are so-called tomboys in other respects, but at any rate there is no evidence that male players actively discourage females from joining the action. Predictably, these games are at least perceived by the players as combining both luck and skill, with the emphasis perhaps on skill. Yet there is no necessary correlation between success in these games and success on the athletic field; in fact, many times the nonathletes gain an equivalent status among their peers by virtue of their success in these games. Finally, each of the games is treated as a contest, a competition in which there are clearly winners and losers, and the prize is gain, either in substance or, at least, in status. The games to be discussed are: marble shooting, baseball card flipping, and card playing. A somewhat more detailed discussion of pinball and video game playing will follow.

Marbles as toys date back at least as far as ancient Egypt and Rome, and while they may have fallen from favor in the 1980s, there were avid marble shooters as recently as the 1950s, when the first cohorts of the baby boom children were in elementary school. Playing marbles was unlike organized sports based on adult versions of similar games, such as little league baseball: adults generally played no part in setting up the rules for marble play. The games developed spontaneously among the participants, and undoubtedly there were many variations on the game. Yet some basic rubrics survived, and in the eighteenth century boys shot at marbles in a ring drawn on the ground in much

16. *Gambling in America*, p. 67.

the same way boys do in American school yards in the twentieth century.[17] The object of the game was to claim opponents' marbles by hitting them with shots using one's own marbles and risking them in the process; not playing marbles for keeps was not really playing at all. In this sense, participants wagered their own stake—marbles—in the hope of acquiring an additional stake. And while marbles were not the coin of the realm, they were a form of currency among those who played with them; moreover, one was not supposed to buy marbles; one was supposed to win them.

Since marbles were portable, youngsters could carry them anywhere and strike up a game whenever the opportunity arose. School recess was a popular time for this activity. Not only was the game a pleasant diversion from the work of a school day, but it could be played within the time frame of a recess and could take advantage of whatever surface was available. In fact, for one very popular version of the game—chase—players did not even need to draw a ring on the ground; shooters simply aimed at one another's marbles where they lay. Squaring off involved a simple challenge between two or more players, and any variations in accepted rules were negotiated in advance. Occasionally a weaker opponent was given a handicap, perhaps first up or a favorable starting position. The outcome of the game was determined by the victor's marble striking the loser's—in chase—or knocking the loser's marble out of the ring. Settlement involved the winner's taking possession of his prize or prizes. We might add that there was certain status among marbles, as well as among marble players, and a prized shooter or particularly valuable marble might be spared if an agreement was made to ransom the marble with an appropriate number of less valuable ones.

Marble etiquette among children developed as surely as gambling etiquette among adults. Cheating, though possible, was frowned upon, and winners and losers were expected to finish the match with grace and sportsmanship. The courage needed to face a school yard champion was no small matter for a newcomer or a previous loser, but he knew that instant recognition and status could be obtained by virtue of his success in the fateful encounter of the game. To be sure, a player risked his marbles, but more important, he risked his pride. As in the case of all games, outside the specific arena of marble competition, the prize had very little monetary worth.

Baseball cards, perhaps, had more intrinsic collector value than marbles. Where one could simply buy marbles in a store, choosing the ones most desired, baseball cards came as premiums with other products—first cigarettes; later, and more important, with bubble gum. Youngsters collected cards at random, hoping to fill out teams, leagues, or the ranks of favorite star players. As collectors obtained duplicate cards or became willing to sacrifice cards in their collections for other more desirable cards, games involving card wagers evolved. Again, this evolution took place without adult intervention, though by the middle of the twentieth century a father might show his son some of the finer points of card flipping.

As with marble games, there were many variations of baseball card flipping that could accommodate two or more

17. Richard Sasuly, *Bookies and Bettors: Two Hundred Years of Gambling* (New York: Holt, Rinehart and Winston, 1982), pp. 34-35.

players. In each case, the cards to be risked were selected from the player's store, and they constituted his playing stake. Substitution or ransom of favorite cards was rare. It was a game of put up or shut up. In simple card flipping, the object of the game was to flip the card in such a way as to match the face of the opponent's card. One player flipped first, and the card landed heads or tails on the ground. The second player had to match the face with his card. If successful, he would claim both cards; if not, his opponent would. Another version involved scaling the cards at an array of cards propped against a wall. Skillful players could be seen to have an edge at this game, in which the object was to knock down the propped cards, with the player knocking down the last card claiming all the cards.

Chance and skill combined in baseball card games too. Cards could obtain subjective value as a measure of their rarity or popularity, and successful players were admired by their peers for their flipping skill or the size of their collection. Cheating by taping cards together or weighting corners was possible, but so obvious as to be used against only the most naive opponents. The game followed the ritual patterns previously outlined, and unless players had an ample store of duplicate cards or played with only undesirable cards—in which case they could probably win only equally undesirable ones—they risked something of value in hope of adding to their store.

Card playing does not become popular among children until they are somewhat older than the typical marble shooter or baseball card flipper. The obvious reason for this delay is the comparatively sophisticated sets of rules accompanying the various card games beyond, say, war and fish. Hearts, crazy eights, pinochle, rummy, and all varieties of poker may be easily found in all sorts of male groupings—scout trips, summer camps, informal gatherings—and later especially among groups of servicemen and college students. Card decks, too, are portable, and a game can arise at a moment's notice. Volumes can be and have been written on varieties of poker. For many adolescent males, this game is the first exposure to an adult gambling game. Mario Puzo recalls, "Before I even got into my teens . . . I was playing poker with very tough working men beneath lampposts in the streets of New York or in the back of the local candy stores."[18] Poker is a classic example of the fateful encounter defined by Goffman. Though the deal and draw are governed by chance, unless of course someone is cheating, the play of the game is ruled by skill and is a clear example of competitive play. For many adolescents, the card game provides an arena where skill can be displayed and fantasies lived out. As Puzo recalls,

> I was too shy with girls to have any luck or any dates. I was out until 4 a.m. still trying to make my fortune in poker. . . . I was better than anybody else. I knew it and I assumed the rest of the world knew it. . . . gambling (for nickels, dimes, and quarters) kept me out of jail. It made me forget for a few moments that my sex life was incomplete. It made me forget that a day of reckoning was fast approaching. The time when I would have to earn a living and support myself in a drudge job which I already knew I would hate.[19]

Yet, through the combination of chance and skill, card games can be preparation for the inescapable game of life.

18. Mario Puzo, *Inside Las Vegas* (New York: Grosset & Dunlap, 1977), p. 111.

19. Ibid., p. 121.

FROM PINBALL TO PAC-MAN

In twentieth-century American popular culture, technological icons have held an appeal for children and adolescents. This attraction can be seen in the popularity of pinball and, later, video games. These devices have recently come under much scrutiny, as historians, sociologists, and psychologists attempt to explain their popularity.[20] What emerges from such analysis is the realization that these playthings may carry cultural significance and that the playing of pinball or video games is another ritualized game with varying combinations of chance and skill in the context of a fateful encounter.

The gambling roots of pinball are unmistakable. Between 1930 and 1940 pinball evolved from David Gottlieb's Baffle Ball and Raymond Maloney's Bally-Hoo through the introduction of electronic circuitry for gates and kick-back devices. So popular did the game become that by 1940 it could be found in bars, cafes, soda shops, and arcades throughout the country. Early machines returned coins for high-scoring games, and sometimes prizes were awarded for high scores. No doubt some players wagered among themselves as well. Furthermore, Gottlieb and the Bally Company manufactured slot machines. As a result, the game—and the locations where it was played—came under fire from church groups, parent-teacher associations, and crime commissions. Chance was the chief arbiter in these early games, for the only control a player could exert was a measure of body English to jostle the ball on a certain path. Nevertheless, in spite of—or because of—the unsavory image, the games proved very popular with young people, primarily males, and survived all attempts to stamp out such play. New York's Mayor LaGuardia, one of pinball's most ardent foes, was quoted as saying that the machines were "an evil and a menace to young people because they develop the gambling urge in children."[21]

The invention of flippers in 1947 by Harry Mabs, and their subsequent commercial use in Gottlieb's Humpty Dumpty in the same year, changed the game considerably. It was now possible to see the game as one of skill, rather than blind luck, and the fact that by the late 1940s machines rewarded high-scoring players with extra balls or games rather than cash further legitimized the game. From that time on, the appeal and play of pinball spread worldwide, especially among children and adolescents. The 1970s were marked by the introduction of computer technology to game—and gambling—devices, and the play of the new games emphasized manual skill, eye-hand coordination, and playing strategies. While such gaming devices still come under periodic attack, especially when players are seen as obsessive or wasting inordinate amounts of time, their place as artifacts in contemporary culture is assured.

Why do these games have such an appeal to the young—and not so

20. For two representative studies, see Cynthia Packard and Ray B. Browne, "Pinball Machine: Marble Icon," *Icons of America*, ed. Ray B. Browne and Marshall Fishwick (Bowling Green, OH: Popular Press, 1978), pp. 177-89; and Stephen Conn and Judith B. Marquez, "The Social Context of Pinball: The Making of a Setting and Its Etiquette," *The World of Play*, ed. Frank E. Manning (West Point, NY: Leisure Press, 1983), pp. 66-77.

21. *New York Times*, 28 Dec. 1941.

young—players? One element is that of contest among players, since most contemporary pinball and video games have provision for two or four players to play simultaneously. But more often than not, the contest seems to be human against machine—or computer—surely an archetypal confrontation in twentieth-century America. Sharing the ritual elements of sport and play encounters, pinball

> does give you a sense of controlling things in a way that in life you can't do. And there is risk in it, too. The ball flies into the ellipse, into the playfield—full of opportunities. But there's always the death channel—the run-out slot. There are rewards, prizes, coming off the thumper-bumper. The ball crazily bounces from danger to opportunity and back to danger. You need reassurance in life that in taking risks you will triumph, and pinball gives you that reaffirmation. Life is a risky game, but you can beat it.[22]

The control exerted by players of video games is even more precise, and the games themselves more complex and challenging. For the successful players the payoff is additional games for free, the admiration of their peers, and, on many video games, the opportunity to engrave electronic initials next to high scores that remain visible to future challengers until they are surpassed.

LEARNING TO BET

When considering the question of why children gamble, Mario Puzo offers a pat answer: "Children gamble because they are greedy."[23] True, he admits that in his early career as a childhood gambler, he would stack the deck and go light in pots. But by the time he reached late adolescence, he had stopped cheating because "I fancied myself a hero. I read books which said heroes did not cheat. . . . I had the same attitude as . . . noblemen who considered themselves gentlemen.[24] Apparently Puzo's greed for material gain was overcome by his desire to display those traits of character singled out by Goffman: courage, integrity, gallantry, and composure. To cheat at cards is not to cheat dame fortune; to cheat at cards is to cheat one's opponent and one's self. It is implicit distrust of one's own skills, for now the game is considered competition, not chance. Therefore the answer to the question of motive is not as simple as Puzo suggests.

It is apparent that the childhood and adolescent games that bear similarities to adult gambling almost always fall into the pattern of competition. Even if the flip of a baseball card is as random as the toss of a coin, the players believe that they are exercising a skill as they try to match the face of the card in play. There is a balance of skill—which makes the victory honorable and worthy of admiration—and luck —which makes victory possible for the less skillful. Perhaps children and adolescents still have faith in the democratic ideal of equality of opportunity, since their competitive play mirrors the spirit of competition so ingrained in American civilization. They hope for a future reward brought about, at least in part, through their own effort.

In this connection it is interesting to note how many popular adult games fall into the category of pure chance. To be

22. J. Anthony Lukas, quoted in Packard and Browne, "Pinball Machine," p. 185.

23. Puzo, *Inside Las Vegas*, p. 111.

24. Ibid., p. 121.

sure, a blackjack counter, an expert handicapper, or a high-stakes poker player depends on skill to overcome the odds of the game and attempt to gain the all-important edge. Yet the most often played games—especially casino slot machines and lotteries—fall completely in the realm of Caillois's alea. Any attempt to control these games without cheating falls into the realm of superstition. Perhaps adults have less confidence in their ability to control their destinies and are therefore more willing to accept the unearned prizes bestowed by chance.

The games of children and adolescents are steeped in ritual. Each is surrounded by its own subculture. A marble game may be a rite of passage for a youngster in the school yard as he tests his skill against another player. The knot of students flipping baseball cards celebrate a rite of unity, sharing not only the game but their respect for the cards and each other. A poker game or pinball game may serve as a rite of reversal, a time of release from the boredom and repetition of daily tasks in ways that reflect the psychological traits that they feel should govern the rest of their lives. Character can be displayed through these rituals, and honor can be won along with material or recreational rewards.

Perhaps Mario Puzo is not too far astray when he advises, "All parents should teach their children card games mainly because they are a great preparation for the disappointments of life."[25]

25. Ibid., p. 112.

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The Psychology of Gambling

By IGOR KUSYSZYN

ABSTRACT: An analysis of the gambling process, a review of gambling research, and a survey of philosophical, phenomenological, and theoretical interpretations of gambling suggest that the motives for gambling are highly complex. However, many similarities were found between anecdotal accounts of gamblers' experiences and the philosophical, phenomenological, and theoretical interpretations of the gambling process. Many of the research studies corroborated both the anecdotal accounts and the interpretations. The most fruitful and veridical findings seem to come from studies that recognized gambling as adult play. The significance of studying gambling as play readily revealed itself, and it is hoped that future research expands on the existential and transpersonal nature of this aspect of gambling. We have come a long way in increasing our knowledge of gambling since Bergler's original interpretation of gambling as psychic masochism. Gambling may be psychic masochism for some, but it is without doubt psychic play pleasure for the vast majority of persons who gamble.

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THIS article deals with the psychology of nonpathological gambling. It is estimated that for every pathological—compulsive—gambler there are at least 100 social gamblers. These nonpathological gamblers have been taken for granted by both the media and social scientists, and little attention has been paid to them. Yet, if we include lottery, bingo, and numbers players, then nonpathological gamblers are seen to comprise approximately 60 percent of the adult North American population.[1] For this reason, if not for any other, nonpathological gambling warrants serious study.

A DISSECTION OF THE GAMBLING PROCESS

Gambling can be viewed in terms of basic elements, ranging from the physical surroundings in which the activities occur to the state of mind of the participants. A description of these elements follows.

Gambling is self-contained. There is almost always a special place for it, a place with physical boundaries, such as a racetrack, casino, card room, or bingo hall. It is completely apart from the routine activities of everyday life. In addition, gambling occurs during leisure time, during a time that is unhurried and when the organism's basic physiological needs are satiated. Participants independently and voluntarily select the game and their modes of participation in it. We may say they are their own agents. All three classical dimensions of humans are involved in gambling: cognitive, as in decision making; conative, as in wagering; and affective, as in the hope of winning or the fear of losing. Because gambling is freely chosen and because the element of chance is an integral part of the gambling process, gamblers voluntarily place themselves in the hands of uncertainty, or fate.

Gambling is complex and cyclical. It is composed of continuous chains of events that include decision making, wagering, an outcome, emotional reaction to the outcome, cognitive appraisal of one's actions in relation to the outcome, further decision making, further wagering, and so on. Each chain is unique; although succeeding chains are almost always variations of previous chains, no chain is identical to any other. The novelty of each chain and the gambler's freedom to participate in it as a creative agent allow gambling to be an absorbing activity.

Another aspect of the gambler's freedom is the gambler's complete personal control of the degree of commitment to the activity. The degree of commitment can be altered at will. For example, the gambler can be committed to a large degree by placing a large wager; should the wager be lost, the next wager may be smaller or it may be larger; the wager may even be twice as large if, believing in the gambler's fallacy of "double-up and catch up," he or she chases losses. Freedom for the regulation of involvement provides for self-chosen stimulation, self-testing, and arousal oscillation, and for feelings of power, worth, and effectiveness.

During gambling, money loses its economic value. The gambler is seen to be playing with money rather than for it. Although money is not highly valued during the process, gamblers do recognize relative differences in the sizes of their wagers: they realize that a wager

1. Commission on the Review of the National Policy toward Gambling, *Gambling in America* (Washington, DC: Government Printing Office, 1976), p. 137.

for $20 is larger than one for $10. It is the market value of the money that is irrelevant. For example, a $20 wager is not seen as the equivalent of the price of a dress shirt. In casinos, plastic chips are used in place of money for such devaluation purposes. Casino bosses learned long ago that gamblers will bet more in chips than they will in cash.

Yet, as valueless as the betting money may become, it is essential to the continuation of the gambling process. Without money, one is "out of action." One can still make imaginary or "mind" bets when one is broke, but with such wagers there is only token involvement; gamblers do not get excited or aroused to any noticeable degree when they have a mind bet riding. They would much rather risk losing real money than some mental image of it. The paradox here is the fact that, although gambling money loses its economic value, it still retains an incentive value that provides for the continuation of the activity.

Gambling provides for the exercising of biological as well as psychological urges. For instance, gamblers can increase muscle tension, speed up their heart rate, and become emotionally aroused, both positively—with enthusiasm, hope, joy, euphoria, and excitement—and negatively—with anxiety, fear, disappointment, frustration, sorrow, regret, and despair.

Gambling also provides for the operation of cognitive-emotional states involving the self. It can elicit pride, courage, self-esteem, self-blame, and self-remonstration. Gambling provides an opportunity to experience other emotions—such as anger, hostility, and aggression—and to externalize such negative states to spouses, other gamblers, jockeys, trainers who the gambler suspects are fraudulent, dealers who presumably cheat the gambler, pit bosses, and the establishment.

Gambling can be a release from reality. Gamblers very quickly—usually upon contemplation of making the first wager—transport the self into a play world, a fantasy world in which they stay suspended until being jarred back into reality by the finish of the last race or the disappearance of their money.

While in this fantasy world they can, and usually do, act, feel, and think with abandon, without superego control, without psychological defenses. They are on a mental midway. We may say the free child of Eric Berne, the id of Sigmund Freud or the instinctoid impulses of Abraham Maslow emerge from the gambler and indulge themselves in cognitive and emotional pleasures. It is this disinhibited, released self that is most evident in the gambling situation. Recall, for example, the difficulty of maintaining a poker face in card playing. In this regard, games bring out a person's natural self. As Roger Callois states, "Tell me what you play and I'll tell you who you are."

Gambling is social and competitive. In card and board games there is always an opponent. In casino games there is the dealer or the house. At the racetrack there are the other horses and jockeys and, indirectly, the other horseplayers. Gambling also affords players the opportunity to raise their esteem by bragging about their prowess in front of opponents, friends, or kibitzers.

Gambling has a ritualistic quality. Each game is played within the context of specific rules; each game is programmed. Yet the program is fluid in that it allows for variations among the ritualistic moves. Gamblers write their own variations within the generally prescribed program.

The uncertainty of the gambling event and the risk that is an integral part of it provide for the cognitive, emotional, and physical arousal of the individual. The arousal, coupled with the already affirmed belief that the situation is a safe one, free from the possibility of real failures and social punishments, leaves the gambler in a very comfortable state.

This state is difficult to describe. It can be spoken of as a mood state, a peak, a trance, a high, or even a mystic state. It is not, however, uniform. It is a general state that is altered many times—or more precisely, different mini-states pass through the generally pervasive state—during a session of gambling by the individual's actions—wagers, the nature of the outcomes, the individual's unique cognitive-emotional reactions, further—hopefully corrective or luckier—actions, and so on. This self-regulated playing within the pleasantly safe, fantasy mood state is probably the most important feature of gambling. It is this intrinsic feature of gambling that is so rich in psychological goodies for gamblers.

AN EXISTENTIAL INTERPRETATION OF GAMBLING

I view gambling as a functional play activity that provides a convenient means of satisfying two basic human needs.[2] Gamblers play cards, play games, play the horses, and so forth. A wager is a play. Through play, gamblers confirm their existence and affirm their worth. My thesis relates seven existential concepts to the confirmation of existence and affirmation of worth: autonomy, freedom, desire, choice, action, responsibility, and identity.

According to Jean Paul Sartre, a person is the sum total of his or her actions. A person achieves a sense of identity—selfhood—through actions by taking responsibility for those actions. Conversely, where denial of responsibility for one's actions occurs, denial of the becoming of the self also automatically occurs.

From the time of birth—possibly earlier—and throughout its life, an organism has a strong desire to grow psychologically. This growth takes the form of a continuous process of self-discovery through never ending series of actions. The organism becomes emotionally aware very early in life that the most pleasant kinds of self-discoveries—things that feel good—are those that result from autonomous action. That feeling is most profound when we ourselves have caused—are responsible for—the feeling.

In turn, in order for the action to be autonomous, we need absolute freedom to act. Absolute freedom can only be attained by taking absolute responsibility for one's actions. By taking absolute responsibility for one's actions, one becomes the sole creator of one's essence, one's self, one's identity.

Central to the idea of action is the idea of choice. It is in the process of independently choosing a course of action that the authentic creation of the self occurs. The nature of the choice is determined by our present, incomplete, always fulfillment-seeking, psychosocio-biological self. That is, we desire one choice rather than another according to our genetic, biological, psychological—that is, experiential—and social history.

Gamblers—players—exhibit a freedom of choice in that they independently—

2. Igor Kusyszyn, "An Existential Interpretation of Gambling" (Paper presented at the Third Annual Conference on Gambling, Las Vegas, NV, 1976).

of their own free will—choose the game they most desire. They also choose the manner of participation in the game, according to their psychosociobiological history. Style of participation becomes an expression of his or her present self, and participatory actions become a search for his or her true self—essence or identity. The fact that gamblers take responsibility for the outcome—wins and losses—that their actions produce is axiomatic. The responsibility is the staking of one's hard-earned money. The freedom for self-regulation of involvement provides for self-expression and self-stimulation. These, together with the responsibility already taken for the actions, lead to feelings of effectiveness, mastery, and worth.

An amusing example of how gambling allows worth to be experienced comes from Zola, who observed a group of horse race bettors. He writes, "One regular [bettor] revealed the meaning of being a winner when amid the talk and praise of his selection, he yelled, 'What do you think I am, a nobody?!' "[3] Dostoyevsky, himself a gambler, writes in *The Gambler*,

> Yes, in such moments one forgets all one's previous failures. I had got this, you see, at the risk of more than life. I had dared to run the risk and now I am a man again.[4]

It is also through the free, independent self-regulation of action that gamblers confirm their existence. They prove to themselves over and over again that they are alive by speeding up their heart rate and increasing their muscle tension and by becoming emotionally aroused either positively—with hope, for example—or negatively—perhaps with anxiety. The gambler replaces Descartes's dictum, "I think, therefore I am," with "I feel, therefore I am."

A British horseplayer being interviewed by a social scientist said,

> You ask me why I gamble and I tell you, it's the thrill. I know the game is crooked and I haven't a chance, but when I put my money on a horse and hear its name on the speaker, my heart stands still. I know I am alive.[5]

Karl Wallenda, a famous tightrope walker who gambled with death, is quoted as saying, "To be on the wire is life. The rest is waiting." Lem Banker of Las Vegas, a professional sports gambler, is quoted as saying, "You live and die ten times on a Sunday afternoon," in reference to the updates on the scores of football games that have been wagered on.

THE CONSCIOUS MOOD PERSPECTIVE

Martinez provides an excellent phenomenological account of the transformation of the self through gambling.[6] He describes the process in terms of five moods that emerge as participation in gambling increases. The five moods are risk taking, here and now, fantasy, euphoria, and mysticism.

At the beginning, the person must have a willingness to take risks. Once involved, he or she must define the risk taking as pleasurable. The second mood involves a heightened awareness of the player's existence. The mind concentrating on the immediate situation, without interference from memories of

3. Irving K. Zola, "Observations on Gambling in a Lower-class Setting," *Social Problems*, 10:353-61 (1963).

4. Fyodor Dostoyevsky, *The Gambler* (New York: Penguin Books, 1971).

5. Otto Newman, *Gambling: Hazard and Reward* (London: Athlone, 1972).

6. Tomás M. Martinez, *The Gambling Scene* (Springfield, IL: Charles C Thomas, 1983).

the past or thoughts of the future, is in the mood of here and now. In the game of poker the development of this mood is dependent upon a mastery of the moves of the game and the pattern of betting. Both these skills build confidence that enable the subject to do a rare thing: to define the moment as one he or she can successfully manage. Successful management enables the player to become more deeply involved in the game. Martinez states, "While taking a risk . . . the subject has a sense of really living because mind and body become stimulated and become filled with life."[7]

The third mood, fantasy, is experienced as deeper involvement in gambling is possible. With deeper involvement, part of the mind, ironically, becomes free to do other things. It chooses to dream of luxury not generated by the routine of everyday life. A surreal, fantasy configuration of the self is created. The configuration renders high esteem and power to the self. The power is of a special sort. It has control over one's destiny. "I am what I imagine I am" is the picture of the self that emerges. As gambling becomes a medium for identity fantasizing, total commitment to gambling becomes possible.

The fourth mood, euphoria, is rare and often short-lived. It occurs during highly condensed moments of important events, such as winning a large pot after a calculated bluff or cashing in on a long shot at the races. Building an identity around euphoria is compelling. In Maslow's terminology the euphoric experience is a peak experience. "It is the moment when the subject experiences most of his identity, where the real self is closest at hand."[8] Fantasy and euphoria are experienced as the subject passes from occasional to regular gambling. Social support for the fantasized self can come from more naive players or from casino pit bosses who have a vested interest in keeping gamblers feeling good about themselves while they are gambling.

As the player develops a commitment to the gambling enterprise, the activities that compose it take on a ritualistic meaning. Sacred rituals dramatize identity. With identity, money, and good feelings in the balance, the gambler becomes very serious about the enterprise and shifts into a mystic state. This shift is similar to what has sometimes been described as communicating with the greater forces in nature or becoming one with the One. This mystical experience is rare for most individuals, although today, with the age of new romanticism—especially among the young—the experience is more common.

It is at this stage that the gambling can become pathological and almost irreversible. The gambling becomes compulsive if the gambler chooses to enhance pleasure rather than play the game in the usual way. Choosing to enhance pleasure, the gambler stays in the action for as long as possible, fatigue sets in, judgment and self-control become impaired, and the gambler loses more money than he or she had expected to lose. The unpleasant and unplanned-for experience of losing diminishes the power to dream and intrudes upon the pleasant moods. The pain and suffering of losing shifts the gambler into another mood, which serves as the mythical pinch that awakens him or her from the dream-like existence. Here he or she resolves not to lose so much again. But the function of the resolution is only to resolve the cognitive dissonance. Continuing to gamble now for pleasure,

7. Ibid., p. 55.
8. Ibid., p. 61.

which is harder to attain, he or she loses more money more often.

How common Martinez's moods are among gamblers only future investigation will tell. If the moods are shown to have even minimal convergent validity, the implications for the diagnosis and treatment of gambling and other pure addictions could be great.

GAMBLING IN RELATION TO THEORIES OF PLAY

In my search for a comprehensive analysis of play I was surprised to discover that Freud wrote on the functions of play. According to Freud, play has four functions:

—It provides for wish fulfillment.

—It leads to conflict reduction.

—It provides a temporary leave of absence from reality.

—It brings about a change from the passive to the active.[9]

Since Freud, psychologists have emphasized almost exclusively the conflict reduction function of play—that is, play as therapy—almost totally ignoring the other three aspects. More recently, however, play has been examined in the context of intrinsic motives. It is in this context that gambling most readily reveals itself.

Csikszentmihalyi, in analyzing the reported experiences of people involved in various play activities, suggests that the following features make play enjoyable. A person is able to concentrate on a limited stimulus field in which he or she can use skills to meet clear demands, thereby forgetting his or her own problems and separate identity. At the same time, one obtains a feeling of control over the environment, which may result in a transcendence of ego boundaries and consequent psychic interaction with metapersonal systems.[10] Gambling possesses all of these features and thus rightly qualifies as play.

OTHER THEORIES RELATED TO GAMBLING

Gambling is a good candidate for White's concept of effectance motivation.[11] White cites numerous studies from animal and human research all suggesting a basic motive of effectance or competence. He states,

> the effectance urge represents what the neuromuscular system wants to do when it is otherwise unoccupied or is gently stimulated by the environment. . . . satisfaction would appear to lie in the arousal and maintaining of activity rather than its slow decline toward bored passivity.

Perhaps the gambler, in the same way as the playing child, "experiences joy at being a cause. . . . We demand knowledge of effects . . . and to be ourselves the producers of effects."

White quotes Freud as saying that "the task of the nervous system is—broadly speaking—to master stimuli." White refers as well to Skinner, who describes this kind of behavior as an operant. "The behavior operates upon the environment to generate consequences." These consequences, says White, "are fed back through sense

9. Robert Waelder, "The Psychoanalytic Theory of Play," *Psychoanalytical Review*, 2:208-24 (1933)

10. Mihalyi Csikszentmihalyi, "Play and Intrinsic Rewards," *Journal of Humanistic Psychology*, 16:41-63 (1976).

11. Robert W. White, "Motivation Reconsidered: The Concept of Competence," *Psychological Review*, 66:297-333 (1959).

organs and may serve to reinforce behavior even when no organic needs are involved."

The strength of operant behavior and its possible role in gambling is further illustrated by Montgomery and Kreitzer, who say,

> It is ominous to recognize that the compulsive gambler behaves like the Skinner box pigeon on a reinforcement schedule so lean that the pigeon exerts more energy to gain a pellet than is in the pellet, and thus literally works himself to death.[12]

The behavior of pigeons is not unlike the behavior of slot machine players in Las Vegas who seem to be in a trancelike state pulling the arm of the one-armed bandit for hours at a time until they become completely fatigued. Similarly, Olds and Milner's rats worked themselves to death stimulating their pleasure centers in the brain.[13] It could be that rats, pigeons, and gamblers are all obtaining a similar kind of peak experience. Perhaps peak experiences are at the root of all psychological dependencies, whether they be pathological or not.

As already noted, Freudians viewing gambling in the context of play recognize its wish-fulfillment and conflict-reduction functions. Maslow[14] and Kelly,[15] on the other hand, may see the needs to know and to understand operating. Hebb[16] can point to the need for an optimal level of arousal, and Berlyne[17] to arousal jags. J. McV. Hunt[18] and McReynolds[19] suggest that there is motivation inherent in information processing and in action.

Dember has suggested ideational motivation, claiming that the brain is not like a computer but is alive with needs of its own and that these cognitive needs often take precedence over biological needs.[20] Dember points out that ideology can control emotionality as recent biofeedback research has shown. A single idea can direct all of a person's behavior, as is seen in fanaticism and martyrdom. Is it the idea of winning that keeps the gambler gambling? Is it an idea so strong that it distorts, denies, and defies reality? Yes, in part. It is more likely that the hope of winning is a means to a fantasy end state alluded to earlier.

Lefcourt has discussed the power of the belief in felt control, pointing out to Skinnerians that felt control can direct behavior and transcend actual control.[21]

12. H. R. Montgomery and S. F. Kreitzer, "'Compulsive' Gambling and Behavior Therapy" (Paper presented at the California State Psychological Convention, Santa Barbara, 1968).

13. James Olds and Peter Milner, "Positive Reinforcement Produced by Electrical Stimulation of Septal Area and Other Regions of the Rat Brain," *Journal of Comparative and Physiological Psychology*, 47:419-27 (1954).

14. Abraham H. Maslow, *Motivation and Personality* (New York: Harper and Row, 1970).

15. George A. Kelly, *The Psychology of Personal Constructs* (New York: Norton, 1955).

16. Donald O. Hebb, "Drives and the Conceptual Nervous System," *Psychological Review*, 62:243-52 (1955).

17. Daniel E. Berlyne, *Conflict, Arousal, and Curiosity* (New York: McGraw-Hill, 1960).

18. J. McV. Hunt, "Motivation Inherent in Information Processing and Action," in *Motivation and Social Interaction: The Cognitive Determinants*, ed. O. J. Harvey (New York: Ronald Press, 1963).

19. Paul McReynolds, "The Three Faces of Cognitive Motivation," in *Intrinsic Motivation: A New Direction in Education*, ed. Hy I. Day, D. E. Berlyne, and David E. Hunt (Toronto: Holt, Rinehart and Winston, 1971).

20. William M. Dember, "Motivation and the Cognitive Revolution," *American Psychologist*, 29:161-68 (1974).

21. Herbert M. Lefcourt, "The Functions of the Illusions of Control and Freedom," *American Psychologist*, 28:417-25 (1973).

The concept of felt control is similar to White's[22] effectance motivation and Nuttin's[23] causality pleasure. Nuttin discovered causal pleasure to be stronger than stimulation pleasure when he found that boys preferred to be the affectors of stimulation—by having control over its onset—over being the recipients of blinking light stimulation that was under the experimenter's control. Undoubtedly, gamblers attempt to affect their environments. When they blow on the dice and root for their horses, this probably represents a belief in control or psychokinesis.[24]

Gamblers could be striving through agency to reach a certain kind of communion,[25] or they may be in an existential vacuum searching for the meaning of life through gambling.[26] They might be exhibiting David McClelland's need for achievement in a context that is free of the fear of failure. Perhaps they are striving for superiority—Alfred Adler's concept—or, in an effortless way, raising their self-esteem, as described by Carl Rogers. Alternatively, they might be like the Skinner-box rat, a prisoner of the partial reinforcement effect (PRE).

22. White, "Motivation Reconsidered."

23. J. R. Nuttin, "Pleasure and Reward in Human Motivation and Learning," in *Pleasure, Reward, Preference: Their Nature, Determinants, and Role in Behavior*, ed. D. E. Berlyne and K. B. Madson (New York: Academic Press, 1973).

24. See Lloyd H. Strickland, Roy J. Lewicki, and Albert N. Katz, "Temporal Orientation and Perceived Control as Determinants of Risk-taking," *Journal of Experimental Social Psychology*, 2:143-51 (1966) for an experimental demonstration of psychokinesis in an ingenious dice-wagering game.

25. David Bakan, *The Duality of Human Existence* (Chicago: Rand McNally, 1966).

26. Viktor E. Frankl, *The Doctor and the Soul* (New York: Vintage, 1973).

Skinner can indeed take pride in the real-life demonstration of the power of the PRE. However, my search through learning-theory texts and several volumes of the *Nebraska Symposium on Motivation* showed me that learning theorists know very little of the nature of the variables responsible for the PRE. It is their loss that they do not favor the interview as a research method, because gamblers are on very intimate terms with the important variables in question.

GAMBLING RESEARCH

In my travels through the research literature I frantically searched for personality correlates of real-life gambling behavior. A thorough search for studies of social—not clinically referred—gamblers produced only a handful. In an early study, Hunter and Brunner contrasted a group of several hundred college students "with an excessive indulgence in games of chance" with a nongambling group and found no differences between them on intelligence, psychoneurotic tendencies, or introversion-extroversion.[27] In another psychometric study of social gamblers, Morris compared 29 Harvard undergraduates who gambled with 19 who did not.[28] He found the gamblers to be more secure, more dominant, more masculine, less socially responsible, and as happy as the controls.

In a third study, McGlothlin tested a random sample of 31 housewives who were habitual poker players in the

27. J. Hunter and R. Brunner, "The Emotional Outlet of Gambling," *Journal of Abnormal Social Psychology*, 23:38-39 (1928).

28. Robert P. Morris, "An Exploratory Study of Some Personality Characteristics of Gamblers," *Journal of Clinical Psychology*, 13:191-93 (1957).

commercial card clubs of California.[29] On the basis of psychoanalytic theory, McGlothlin hypothesized that the women would be emotionally insecure with a strong belief in the importance of luck. He found essentially the opposite. He states,

> The women in this study are significantly better adjusted on the average than are the female adults of the general population. This applies to the section on emotional, home, and social adjustment.

A significant positive relationship between belief in luck and maladjustment was also found by McGlothlin. However, contrary to psychoanalytic theory, McGlothlin found that "emotionally insecure individuals did not take more risks in the gambling situation, or tend to lose more often, than did persons evidencing better adjustment." Surprisingly, McGlothlin also reports that "persons scoring high on the luck or superstition test did not tend to take more risks in the poker game or lose more often than did the more rational subjects." He concludes,

> The game of poker, like other games, can be classified as an escape from reality, and persons who play as much as do the subjects in this study may be said to be using it in an extreme manner.... Such frequent playing is likely to cause financial hardship in some instances. Nevertheless, the subjects in this study appeared to have achieved a satisfactory adjustment.

It is obvious from McGlothlin's findings that the subjects not only "achieved a satisfactory adjustment" but were in fact as well adjusted, if not better adjusted, than the females in the normative samples.

McGlothlin's findings are extremely important for the study of gamblers because they suggest that even extreme gambling may be related to psychological health and not illness, and because neither psychological maladjustment nor belief in luck is necessarily related to losing. Although these findings may be difficult for a clinician to accept, they quite readily support actualization theory and are also consonant with the results of a study of British gamblers by Newman, who summarizes his observations thus:

> Indeed, within the situational reality of the typical urban industrial worker, gambling made sound rational sense. It provided an outlet of escape from humdrum depersonalized existence, it offered facilities for the otherwise repressed desires for expression of enterprise, initiative, concentrated effort and expertise; it constituted a harmless vehicle for the indulgence in fantasies of windfall wealth, and satisfied the personal needs for sociability and informal social interaction.[30]

My colleagues and I, adopting a humanistic orientation, have performed a number of studies comparing gamblers with nongamblers. We hypothesized that gamblers, when viewed as players, should be more self-actualized than nongamblers. In one study two opposing sets of hypotheses, one from growth theory and one from conflict theory, were tested.[31] They compared racetrack gamblers to psychology graduate students on a questionnaire that tested risk taking, internal cognitive experiencing, internal sensation experiencing, and some personality characteristics. Gamblers were

29. William H. McGlothlin, "A Psychometric Study of Gambling," *Journal of Consulting Psychology*, 18:145-49 (1954).

30. Newman, *Gambling: Hazard and Reward*, pp. 3-4.

31. Igor Kusyszyn and Charles Kallai, "The Gambling Person: Healthy or Sick?" (Paper presented at the Second Annual Conference on Gambling, South Lake Tahoe, NV, 1975).

found to be lower on hostility, familial discord, anxiety, internal cognitive experiencing, and internal sensation experiencing. Thus there was some support for the hypothesis that gamblers had healthier personalities.

The second part of this study correlated the number of hours per week spent in gambling with a number of variables. Results showed that rebelliousness, dominance, and education correlated positively with hours spent gambling. Measures of gamblers' feelings showed that the more active gamblers were more likely to indicate excitement, power, confidence of winning, feeling like a hero, and feeling in control of the situation. These feelings are common to many adult play activities and fit into Abraham Maslow's descriptions of peak experiences in self-actualized persons.

In another study of gamblers' peak experiences a questionnaire was administered to two groups of racetrack gamblers.[32] Each group was presented with different instructional sets, and the group members were asked to indicate how they would feel in each type of situation. Gamblers seemed to be peaking when their "horse was in the stretch and had a good chance to win." Subjects indicated feelings such as happiness, excitement, courage, power, and heroicness. The results are similar to play activities that lead to transcendence of ego boundaries and living fully. That is, when the gamblers are involved in gambling they feel really alive. The results seem to fit reality better when the motive for gambling is seen as pleasure induction, rather than as conflict reduction.

32. Igor Kusyszyn, "Measuring Gamblers' Peak Experiences" (Paper presented at the Annual Meeting of the Canadian Psychological Association, Toronto, 1976).

In another study the personality characteristics of heavy gamblers, light gamblers, nongamblers, and lottery players were compared.[33] Heavy gamblers were found to gamble an average of 19 hours per week and light gamblers an average of 4 hours a week. Also, the heavy gamblers had gambled for an average of 17 years, the light gamblers for an average of thirteen years. Although the instruments used were valid and reliable, the comparison of light gamblers with heavy gamblers produced no significant differences on any traits, including anxiety, depression, hostility, aggression, defensiveness, familial discord, general risk taking, effectance, internal locus of control, innovation, and self-esteem. Among the groups only one significant difference was found: lottery players scored lower than heavy gamblers, light gamblers, and nongamblers on risk taking.

In the context of humanistic psychology, some important correlations were found among the heavy gamblers. Years of gambling had a significant positive relationship with self-esteem and risk taking, and years of gambling had a significant negative relationship with anxiety and depression. For the heavy gamblers in the sample, therefore, gambling was a healthy activity. The authors also point out that the light gamblers, gambling on average only four hours weekly, have apparently been gambling in this light fashion for an average of 13 years. Why did they not become habitual pathological gamblers after all this time?

33. Igor Kusyszyn and Roxana Rutter, "Personality Characteristics of Heavy Gamblers, Light Gamblers, Nongamblers, and Lottery Players" (Paper presented at the Fourth Annual Conference on Gambling, Reno, NV, 1978).

Conrad studied several groups of gamblers from three populations.[34] The main sample consisted of 334 racetrack patrons. Within this sample 22 pathological gamblers, 23 rational gamblers, 21 social gamblers, and 20 system-playing gamblers were identified using scales derived from the Race Track Betting Behavior Questionnaire and the Internal-External Locus of Control Scale. The other samples consisted of 21 members of Gamblers Anonymous and a control group of 35 shopping center patrons.

No differences in anxiety or defensiveness were found among the social gamblers, system players, and the control group. These groups combined did not differ in anxiety from the pathological gamblers. Furthermore, the pathological gamblers were found to be less defensive than the rational gamblers. The latter finding was the opposite of the prediction. Predicted differences among the groups on the variable of gambling by the subjects' parents were not obtained. The fact that Conrad's study failed to show predicted differences among the groups on most variables for which one would expect to obtain differences suggests that pathological gambling is rare and must be extreme in order to manifest itself as a deficit in personality structure.

RISK TAKING AS A PERSONALITY TRAIT

If gambling is conceptualized as a motive with the goals of increasing arousal and providing for self-expression, a look at related risk-taking activities with the same functions may add to our understanding of the gambling personality. Zuckerman has identified four types of sensation seekers:

—the thrill seeker who gets kicks from physical activities involving speed and danger;

—the hippie who seeks more moderate arousal through nonconformity, varied experience, and marijuana;

—the bored type, constantly seeking variety and becoming restless when things are unchanging; and

—the swinger, a sensation seeker more typical of the older generation who chooses drinking, smoking, sex, partying, and gambling in his or her leisure.

In describing the measuring instrument for the swinger type, Zuckerman states, "Gambling, of course, involves a lot of repetitious activity with the reinforcement consisting of arousal produced by the suspense of waiting for the outcome. This kind of periodic arousal may be at the core of the disinhibition (swinger) scale."[35]

In a factor-analytic study, Jackson, Hourany, and Vidmar have shown gambling to be 1 of 4 independent facets of a higher-order dimension of generalized risk taking.[36] A multitrait-multimethod analysis revealed the four facets to be monetary risk taking, that is, gambling; physical risk taking; social risk taking; and ethical risk taking.

34. E. L. Conrad, "The Identification of Three Types of Gamblers and Related Personality Characteristics and Gambling Experiences," *Dissertation Abstracts International*, 38:5561 (May 1978).

35. Marvin Zuckerman, "Dimensions of Sensation Seeking," *Journal of Consulting and Clinical Psychology*, 36:45-52 (1971).

36. Douglas N. Jackson, L. Hourany, and Neil J. Vidmar, "A Four Dimensional Interpretation of Risk Taking," *Journal of Personality*, 40:483-501 (1972).

In another recent study dealing with risk taking as a personality trait, 14 measures of risk taking yielded only 1 risk-taking factor and 5 stylistic factors reflecting task demands. That is, the situational demands of the different tasks elicited appropriate styles of behavior rather than identifying a trait of risk taking. The authors conclude that

> risk-taking as a personality trait might better be conceptualized as a general willingness to enter or avoid risk-taking situations. Seen in this way risk-taking is redefined from a stylistic trait . . . to a motivational trait.[37]

37. Eric S. Knowles, Henry S. Cutter, David H. Walsh, and Nancy A. Casey, "Risk-Taking as a Personality Trait," *Social Behavior and Personality*, 1:123-36 (1973).

The work of Torrance also supports an approach-avoidance concept of risk.[38] Using projective, story-telling measures in cross-cultural research with children, he found evidence for three dimensions of risk taking: spontaneous stress seeking, provoked stress seeking, and stress avoiding.

From the previous studies it can be seen that modern risk-taking personality research is converging around a common concept of arousal or stimulation seeking. Stimulation seeking may be taken as evidence for gamblers' needs to confirm their existence.

38. E. Paul Torrance, "Comparative Studies of Stress-seeking in the Imaginative Stories of Preadolescents in Twelve Different Subcultures," in *Why Man Takes Chances*, ed. Samuel Z. Klausner (Garden City, NY: Anchor, 1968).

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Pathological Gambling: Roots, Phases, and Treatment

By HENRY R. LESIEUR and ROBERT L. CUSTER

ABSTRACT: The medical model of pathological gambling is coming to dominate the public image of the problem gambler. The new image is replacing the previous one of sinner or criminal. This article traces the roots, causes, and phases of pathological gambling. The sociocultural roots of pathological gambling are seen as distinct from gambling itself. The work of sociologists, psychologists, psychiatrists, and others is summarized herein, and different types of pathological gamblers are examined. Three phases of the career of the pathological gambler are outlined: the adventurous, or winning phase; the losing phase; and the desperation phase. The gambler's career progresses with increasing problems in all spheres of life, including relations with family members and friends, gambling associates, employment, and finances. Eventually the gambler has reduced life options, which include suicide, imprisonment, running away, and seeking help. Two major sources of help, Gamblers Anonymous and professional counseling, are examined, and their prospects and difficulties are revealed. Projections are made for future developments in the area of pathological gambling.

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Robert L. Custer, M.D., chief of treatment services and mental health at the Veterans Administration, Washington, D.C., and medical director for the National Council on Compulsive Gambling, is primarily responsible for the American Psychiatric Association's acceptance of the definition of "pathological gambling."

ACCORDING to surveys in 1974 by the Commission on the Review of the National Policy toward Gambling—hereafter referred to as the Gambling Commission—61 percent of the United States populace gambles.[1] The bulk of these people are social gamblers. For them, gambling is an enjoyable pastime. This same survey estimated that there are 1.1 million "probable compulsive gamblers" in the population.[2] These are persons who have a chronic and progressive failure to resist impulses to gambling and gambling behavior, a failure that compromises, disrupts, or damages personal, family, or vocational pursuits. The cardinal features are emotional dependence on gambling, loss of control, and interference with normal functioning.

In the nineteenth century and until very recently, the dominant view of those who gambled beyond their means was a moral one. The heavy gambler who lost was a sinner or criminal.[3] Moralists used the Protestant ethic as their guide to associate gambling with sloth—a desire to avoid work.[4] Gradually, beginning with psychoanalytic theorists and continuing to the establishment of Gamblers Anonymous in 1957, this view was challenged. In place of a moral model, a medical, or illness, model was embraced. At Gamblers Anonymous, for example, members state, "My name is ———. I am a compulsive gambler." The notion of compulsion implies illness. It implies that treatment, rather than moral condemnation, is needed.

In the 1970s and 1980s, six distinctive developments occurred that had an impact on the traditional image of the gambler.

1. Legalized gambling increased at record levels.[5] According to the Gambling Commission studies and most experts, this trend increases the number of pathological gamblers.[6] Such an increase has brought more public attention to the issue, leading to greater media coverage that includes interviews with Gamblers Anonymous members and clinicians attempting to deal with the problem.

2. In April 1972, at the request of a local Gamblers Anonymous chapter, an inpatient treatment program for compulsive gamblers was initiated by the Veterans Administration at the Brecksville, Ohio, Medical Center. This was the first such center anywhere.

3. In the same year a group of gamblers and professionals organized the National Council on Compulsive Gambling, which has as its prime purpose the education of the public that compulsive gambling is a treatable illness.

4. In 1976 the Commission on the Review of National Policy toward Gambling surveyed the population to discover the extent of compulsive gambling.

1. Commission on the Review of the National Policy toward Gambling, *Gambling in America* (Washington, DC: Government Printing Office, 1976), p. 3.

2. Ibid., p. 73.

3. Raymond C. Bell, "Moral Views on Gambling Promulgated by Major American Religious Bodies," in *Gambling in America,* Commission on the Review of the National Policy toward Gambling, app. 1, pp. 161-239.

4. Edward C. Devereux, Jr., "Gambling and the Social Structure: A Sociological Study of Lotteries and Horse Racing in Contemporary America" (Ph.D. diss., Harvard University, 1949), pp. 764-70.

5. *Book of the States* (Lexington, KY: Council of State Governments, 1980), pp. 35, 228.

6. Maureen Kallick et al., *A Survey of Gambling Attitudes and Behavior* (Ann Arbor: Survey Research Center, University of Michigan, 1979), p. 454.

5. In 1980 the American Psychiatric Association recognized pathological gambling as a "disorder of impulse control" in the third edition of its *Diagnostic and Statistical Manual.*

6. As a consequence of the preceding developments, treatment programs have been established by the states of Maryland, Connecticut, New York, and New Jersey.

The traditional image of the degenerate gambler, addict, or compulsive gambler is being displaced by one more and more reflective of a medical model of addiction. This concept has had primarily beneficial effects for pathological gamblers and the victims of the habit. We would estimate that between 10 and 15 persons are directly affected by the typical pathological gambler, including spouse, children, parents, and other close relatives, fellow gamblers, people borrowed from and stolen from, employers and employees. The medical model has incorporated the idea of restitution and redress to these victims as part of the treatment programs.

ROOTS AND CAUSES

Sociocultural factors have an important influence on gambling and the presence of pathological gambling in the general population. Studies by Custer and Custer,[7] Livingston,[8] and Lesieur[9] found Italians, Jews, and the Irish overrepresented among pathological gamblers in Gamblers Anonymous and in treatment. The Gambling Commission survey, on the other hand, found Italians, Spanish-speaking persons, and others—including Asians and American Indians—to be overrepresented, but not Jews or the Irish.[10] That pathological gambling does not respect sociocultural boundaries, however, is clearly noted by discoveries of compulsive gamblers in Nepal[11] and Bali.[12] Additionally, studies have been conducted using British[13] and French subjects.[14] Further evidence of the widespread nature of pathological gambling comes from the fact that Gamblers Anonymous has chapters in Canada, with English- and French-speaking chapters, the United States, Great Britain, Australia, Uganda, Argentina, New Zealand, Belgium, Brazil, Japan, Ireland, Holland, West Germany, and Puerto Rico.

It appears that greater availability of gambling is correlated with pathological gambling. In the United States the Gambling Commission estimated that should the rest of the states follow Nevada's example, the present 1.1 million probable compulsive gamblers would be in-

7. Robert L. Custer and Lillian F. Custer, "Characteristics of the Recovering Compulsive Gambler: A Survey of 150 Members of Gamblers Anonymous" (Paper presented at the Fourth National Conference on Gambling, Reno, NV, Dec. 1978).

8. Jay Livingston, *Compulsive Gamblers: Observations on Action and Abstinence* (New York: Harper Torchbooks, 1974), p. 153.

9. Henry R. Lesieur, *The Chase: Career of the Compulsive Gambler* (Garden City, NY: Doubleday, Anchor, 1977; Cambridge, MA: Schenkman Publishers, 1984).

10. Kallick et al., *A Survey of Gambling Attitudes and Behavior,* pp. 434-36.

11. B. P. Sharma, "Gambling and Gamblers in Nepal," *Israel Annals of Psychiatry and Related Disciplines,* 8:137-42 (July 1970).

12. Clifford Geertz, "Deep Play: Notes on the Balinese Cockfight," *Daedalus,* 101:1-37 (Winter 1973).

13. Emmanuel Moran, "Varieties of Pathological Gambling," *British Journal of Psychiatry,* 116:593-97 (1970).

14. R. Dupouy and P. Chagnon, "Le Jouer, Esquisse Psychologique," *Annales Medica Psychologique,* 12th ser. 87:102-12 (1929).

flated to 3.8 million.[15] Although this may be the case, we should not equate sheer availability of gambling with pathological gambling or all of its side effects. For example, many American Indian tribes had heavy gambling, yet studies of gambling among the Mohave, the Gros Ventre of Montana, and the Yakima of Washington State illustrate some of the controls on gambling that probably reduced pathological gambling in their populations. According to Devereux, the Mohave virtually eliminated pathological gambling by making gambling a formalized affair with many spectators.[16] The Gros Ventre, while they had some "inveterate gamblers," had no betting on the promisory principle.[17] Players did not incur debts. There were also highly complex rules as to who could wager with whom.

Perhaps the group most effective at regulating gambling was the Yakima. Despite heavy and sometimes reckless gambling, Desmond found few negative consequences of the activity.[18] Gambling was done with surplus personal property only; borrowing and credit were not customary. Family property, if wagered, was done so with consent and frequently the urgings of the spouse. This is quite probably because both heavy winners and heavy losers gained prestige among the Yakima. Finally, betting patterns were such as to place limits on the amount bet—typically only what was in the person's possession at the time.[19] An added and important factor to be considered is that, unlike contemporary racetracks and casinos, there was no house take-out to further increase potential loss.

It appears then, that credit, house take-outs, and affective rather than instrumental—formalized—gambling are influential in producing the atmosphere wherein pathological gambling can flourish. With the breakdown of American Indian tribal cultures, along with their continuing positive value on gambling, we would not be surprised to find very high rates of pathological gambling among contemporary native Americans.

Sociological explanations of pathological gambling are reflective of the structural conditions mentioned by anthropologists. Oldman states that pathological gambling is produced by a "defective relationship between a strategy of play on the one hand and a way of managing one's finances on the other."[20] Hayano speaks of losers as a general category and of pathological gamblers as being at the extreme end of a continuum of losers. Gamblers lose for three reasons: inexperience and imperceptive or bad play; erroneous ideas about cards, dice, and so forth; and inept money management.[21] Lesieur notes that inept money management—called "chasing" by gamblers—becomes part of a self-enclosed system that rein-

15. Kallick et al., *A Survey of Gambling Attitudes and Behavior*, p. 454.

16. George Devereux, "Psychodynamics of Mohave Gambling," *American Imago*, 7:55-65 (1950).

17. Regina Flannery and John M. Cooper, "Social Mechanisms in Gros Ventre Gambling," *Southwestern Journal of Anthropology*, 2:391-419 (1946).

18. Gerald R. Desmond, "Gambling Among the Yakima," (Ph.D. diss., Catholic University of America, 1952), pp. 49-56.

19. Ibid., pp. 23-27, 49-56.

20. David Oldman, "Compulsive Gamblers," *Sociological Review*, 26:369-70 (May 1978).

21. David Hayano, *Poker Faces: The Life and Work of Professional Card Players* (Berkeley: University of California Press, 1982), p. 105.

forces and creates further pressures to continue gambling despite losses.[22]

These sociological views are compatible with Skinner's idea that people become addicted to gambling through a pattern of intermittent reinforcement.[23] In other words, those who become gamblers have had winning histories despite some losses. Because of the random—intermittent—rewards, this behavior becomes more difficult to extinguish. Both Moran[24] and Custer[25] have found evidence of a big win early in the career of the pathological gambler that supports the view that pathological gamblers have positive rewards convincing them of the benefits of gambling.

While anthropologists and sociologists have looked at gambling, psychologists, psychiatrists, and psychoanalysts have done most of the research on pathological gambling. Psychoanalysts were the first to examine the phenomenon, and they attributed primarily unconscious motivations to the gambler. The most widely cited psychoanalyst is Bergler, who contends that gamblers are masochists who try to lose in an effort to expiate some unconscious source of guilt.[26] Contemporary psychologists and psychiatrists find little empirical support for this idea, as it is now recognized that pathological gamblers typically have an early winning phase lasting three to five years.[27] Masochists could not stand to win for that long.

The inheritors of the view that some underlying personality traits are the cause of pathological gambling are psychologists who have conducted research using personality inventories and scales. Studies using the Edwards Personal Reference Schedule found pathological gamblers to have higher scores than national norms on achievement, exhibition, dominance, heterosexuality, deference, and endurance.[28] In addition, all studies using the Minnesota Multiphasic Personality Inventory have found pathological gamblers to have elevated, or "spiked," scores on the psychopathic deviation (Pd) scale, while many showed clear signs of depression when tested.[29] The elevated Pd scores indicate that close to half of the pathological gamblers conform to the profile of sociopathic personality disturbance. A sociopathic person is typically unable to profit from experience, lacks personal and group loyalties, has defective judgment and responsibility, and is able to rationalize and justify his or her behavior. Unfortunately, it is not possible to tell which comes first, the personality or the gambling. It is quite likely that experiences,

22. Henry R. Lesieur, "The Compulsive Gambler's Spiral of Options and Involvement," *Psychiatry: Journal for the Study of Interpersonal Processes,* 42:81-82 (Feb. 1979).

23. B. F. Skinner, *Science and Human Behavior* (New York: Macmillan, 1953).

24. Emmanuel Moran, "Gambling as a Form of Dependence," *British Journal of the Addictions,* 64:425 (1970).

25. Robert L. Custer, "An Overview of Compulsive Gambling," in *Addictive Disorders Update: Alcoholism, Drug Abuse, Gambling,* ed. P. A. Carone, S. F. Yoles, S. N. Kiefer, and L. Krinsky (New York: Human Sciences Press, 1982), p. 115.

26. Edmund Bergler, "The Gambler: A Misunderstood Neurotic," in *Selected Papers of Edmund Bergler,* ed. Bergler (New York: Grune and Stratton, 1969), p. 692.

27. Custer, "An Overview of Compulsive Gambling," p. 115.

28. Jule D. Moravec and Patric H. Munley, "Psychological Test Findings on Pathological Gamblers in Treatment," in *The Gambling Papers: Proceedings of the Fifth National Conference on Gambling and Risk Taking* (Reno: Bureau of Business and Economic Research, University of Nevada, 1982), vol. 2.

29. Beverly H. Lowenfeld, "Personality Dimensions of the Pathological Gambler" (Ph.D. diss., Kent State University, 1979), pp. 50-55.

pressures, and strains of pathological gambling produce alterations in personality that show up on personality tests.

Pathological gamblers also exhibit certain physiological traits, such as high energy levels, hyperactivity, and high tolerance of stress. Furthermore, all studies conducted to date point to higher IQ among pathological gamblers than in the general population. In this case, more research is needed to determine whether high IQ reflects the tendency for individuals with higher IQs to seek out treatment where these studies were conducted.

Most recently, Carlton has hypothesized that a chemical imbalance in the brain may make some persons more susceptible to excessive gambling. The imbalance could increase the effect of rewards or decrease the effect of punishment.[30] Carlton's is an approach that could be compatible with the psychological, sociological, and anthropological evidence to date.

TYPES OF PATHOLOGICAL GAMBLERS

Several efforts have been made to differentiate types of pathological gamblers based on personality or social characteristics. Moran uncovered five types based on personality traits.

—a subcultural variety: people whose gambling is understood in terms of social setting;

—a neurotic variety: those who gamble with money, rather than for money;

—an impulsive variety: those who lose control or have ambivalence toward the activity;

—a psychopathic variety: those for whom gambling is only part of a global disturbance; and

—a symptomatic variety: those for whom gambling is associated with mental illness.[31]

Additional support for three of these types—neurotic, psychopathic, and impulsive—was uncovered in research by Zimmerman, Meeland, and Krug.[32]

Sociologists have made distinctions based primarily on social class and group orientation. Livingston makes a case for working-class and middle-class styles of compulsive gamblers.[33] Lesieur distinguishes between loners, who are mainly middle class; group-oriented, who typically are working class; and action system players, who are involved in a twenty-four-hour-a-day action system chiefly devoted to hustling with other pathological gamblers.[34]

PHASES OF THE CAREER

While the causes and types of pathological gamblers will be disputed, we have uncovered the progression and increased involvement of these gamblers. While we have been conducting research independently, we agree that there are essentially three stages: winning, losing, and desperation.

30. Peter Carlton, "Prospects for Clinical Research on Pathological Gambling" (Paper presented at "Patholigical Gambling (312.31): The Silent Illness," a Carrier Foundation training conference, Atlantic City, NJ, June 1983).

31. Moran, "Varieties of Pathological Gambling," pp. 593-97.

32. Marc Zimmerman, Tor Meeland, and Samuel Krug, "Measurement and Structure of Pathological Gambling Behavior," *Journal of Consulting and Clinical Psychology* (in press).

33. Livingston, *Compulsive Gamblers,* pp. 53-74.

34. Lesieur, *The Chase,* pp. 165-67.

The first stage of the career we might call the adventurous, or winning, phase. Here the budding gambler is introduced to gambling as an enjoyable pastime. Gambling is fun, exciting, and enjoyable. These feelings are exemplified in the gambler's lexicon by the word "action." There is pleasure to be obtained from winning. The pleasure is in terms of self-esteem as well as the physiological pleasure and pain of the wagering.

Up to half of these gamblers report a big win at this early point in their career. In some cases this win amounts to their annual salary. Wins and gains like this are seen as products of personal abilities and aid the gambler in believing in his or her system, playing, or handicapping abilities. Big wins also enhance the image of being a big shot, which many gamblers come to have of themselves. Losses, when they occur, are defined as products of external forces like bad luck; a lousy system—which will be revised; or lousy advice; or they are somehow blamed on external events like accidents—a football hitting the goal post—or cheating by others.

Life at this stage is enjoyable, and the budding pathological gambler wins, loses, and breaks even often. Winnings are splurged or spent on more gambling. Losses are rationalized away. Even at this early phase friends are borrowed from in order to recoup losses and lost self-esteem. The gambler wins, loses, breaks even, pays back short-term loans, and borrows again. Any borrowing is done to increase entertainment. If married, the gambler may borrow from the cookie jar and lie about it. Some of the gamblers at this point are hustlers who, while they win at pool, golf, bowling, cards, or dice, get introduced to other forms of gambling by their friends. Small loans are taken out as a form of investment, to be paid back with winnings.

The middle stage of the pathological gambler's career we may call the losing phase. At this point, the gambler is convinced that chasing is a smart strategy, as it has led to successes early in the career. He or she chases with borrowed money. Finance company loans are taken out in order to get even. These loans become a threat to self-esteem as well as a financial threat, as interest payments increase what is owed. Consequently the loans are hidden from the spouse and friends. If the gambler is married, family troubles increase as the spouse finds out, and arguments erupt over gambling. The gambler starts to become aloof and mentally a million miles away when participating in gambling systems, sports, cards, and other wagering.

In order to recover losses and pay back loans or retrieve the cookie-jar money, the gambler spends more and more time gambling. Work becomes an interference with these activities and is rushed or inconvenienced to accommodate them. In the gambling world, friends have typically introduced more and more types of gambling to the gambler, who becomes convinced that these may provide financial relief. More borrowing from friends occurs, and some gamblers become loners in order to avoid lending money out or discussing losses. A smaller proportion become bookmakers to prove they are professional gamblers. Those who started out as hustlers discover that as they become known it is harder and harder to find suckers. Just when their gambling is becoming more extensive, the certainty of any return from their gambling is diminishing.

Later in the losing phase, the gambler adds more and more loans from banks, loan companies, credit unions, and credit

cards. Many of the loans involve civil fraud, as lies are used in loan applications; other loans include forgery—frequently of the spouse's or a relative's signature—or fraudulent credit statements. All along the gambler is convinced he or she will be able to pay it all back with winnings. Loans are consolidated, rewritten, and refinanced over and over again. On the home front, periodic blow-ups occur as lies and loans are uncovered. In some instances, bail-outs are requested with promises to quit gambling. At work, the gambler may lose a job or jobs as absences increase. More frequently, however, jobs are changed, with additional free time to gamble always in the background. In the gambling world, the gambler borrows from the bookie, stalls when money is owed, and constantly deceives the bookmaker. In turn, credit from the bookmaker and casinos increases the stakes the gambler wagers and loans to be taken out when losses occur.

The third stage—the desperation phase—of the career occurs as the pathological gambler becomes obsessed with getting even and paying off debts. This is often triggered by a large bail-out and subsequent losses. Gambling is now a full-time endeavor. By this time the gambler is the black sheep in the family as many relatives have been approached for loans. There are repeated bail-outs and repeated discoveries of lies about gambling and loans taken out in secrecy. Spouses are disgusted and in despair by this point and make attempts to reach out to others for help. They have made repeated efforts to cope but realize these are in vain. At work, the job becomes a disaster area as the gambler's mind is off work. The job is exploited for what it can offer by way of resolving pressure: if self-employed, the business is drained; if employed where embezzlement is possible, embezzlement becomes virtually inevitable as options for financing a way out of gambling difficulties are closed off. Lending institutions are also approached as checks and credit cards are used for extended—frequently illegal—credit.

A state of panic sets in, which produces increased risk taking and irrational gambling. The large amounts of money—both legal and illegal—owed, the desire to repay promptly, alienation of family and friends, and a nostalgic desire to recapture early days of winning increase gambling to a further frenzied pace. The optimism that this winning will occur continues, but begins to wane.

At this point, especially for those who have taken illegal risks, the gamblers become restless, irritable, and hypersensitive to the point that sleep is disturbed. Eating is erratic, and life has little pleasure. Even at this stage there is an occasional significant win, but this only leads to heavier gambling and heavier losses. Such gamblers are physically and psychologically exhausted, with a feeling of hopelessness and helplessness. By this time, pathological gamblers have missed loan payments, and lending institutions are clamoring for their money. The gamblers are alienated from everyone; they are on the verge of divorce; and one-fourth are about to be arrested. Deep bouts of depression and suicidal thoughts—and some attempts—occur as they see that there are only four options remaining: suicide; imprisonment; running away, typically to Las Vegas or some other gambling heaven; or seeking help.

TREATMENT

For gamblers, there are basically two methods of help: Gamblers Anonymous

and professional counseling. Most professional counseling involves Gamblers Anonymous as an adjunct; thus it is important to understand the workings of this organization.

Gamblers Anonymous (GA) is an organization patterned after Alcoholics Anonymous and works on the same principles. As in Alcoholics Anonymous, members gather for weekly or more frequent meetings to air their problems. Persons who arrive at these sessions find others there who empathize with them because they have been through the same experiences. Scholars who have studied the program state that this is the prime method behind the organization.[35] Gamblers now have people with whom they can share a previously unshareable secret. New members can identify with the older cadre in the group. In addition, this cadre is able to cut through patterns of denial, projection of blame, and rationalizations by those newer members who are dragged into the meetings by their spouses, parents, or children. The old timers—even if they are younger than the newcomer—demand honesty and self-responsibility.

Gam-Anon is the GA counterpart for the spouses and other family members of the pathological gambler. While GA meetings are going on in one room, Gam-Anon meetings usually occur in another room in the same building. The family members learn to handle the gambling problem by coming to realize that it is the gambler's responsibility to control his or her own life with the help of GA members. In addition, Gam-Anon members come to address their own feelings of guilt and learn to talk out feelings, set priorities, plan, and meet some of their own needs. As in GA, they are in a room with others who have gone through the same difficulties.

At present there are no studies of the effectiveness of GA, but it appears that its retention rate is not as high as other self-help groups. Perhaps the major reason for this is the continued resistance to the illness model. Without public acceptance of pathological gambling as an illness, there is less likelihood of acceptance of the model by the gamblers themselves. Gamblers Anonymous could possibly raise its retention rate through the help of outside consultants, but GA, like many other self-help groups, believes that it has a successful plan that may be put in jeopardy by outside parties.

Treatment by counseling professionals is another route tried by gamblers and their families. This treatment is sometimes complicated because many therapists do not understand gambling, and the gambling, along with its associated problems, is often masked. The gambler may admit to depression and state that it is due to threatened losses such as a spouse leaving, loss of a business, huge financial losses, or legal difficulties. While gambling may be concealed, however, it is more commonly admitted. Here is a typical excerpt from a screening interview:

> I feel emotionally beat—and I've thought seriously of committing suicide. My family has given up on me. I've borrowed thousands from my parents. I've written a letter to tell them how sorry I am. I tried to explain that I didn't want to gamble, but that I couldn't control it.

At this point, suicidal risk must be determined. This evaluation usually is easily done by direct questioning about past suicidal behavior and present feel-

35. Gerald Cromer, "Gamblers Anonymous in Israel: A Participant Observation Study of a Self-Help Group," *International Journal of the Addictions*, 13(7):1072 (1978).

ings and intentions. Inpatient treatment is indicated for the management of suicidal patients, particularly those without a family support system. The exhausted pathological gambler who cannot see any way out of serious predicaments, who is isolated due to family alienation, and who might be showing signs of emotional decompensation may need a protected environment. Others show signs of additional forms of mental disturbance that may require inpatient treatment.

The observations of the staff at the Brecksville Treatment Program, as well as independent verification in a British study, revealed that if the pathological gambler has just stopped gambling it is not at all unusual for symptoms of headaches, abdominal pain, diarrhea, cold sweats, tremor, and nightmares to appear for a few days after admission to the program.[36] This may represent withdrawal symptoms or may be due to sleep deprivation. The gamblers respond favorably to sleep, a rigid type of routine, a regular diet, vigorous exercise, ventilation of feelings, and reassurance.

Treatment personnel must deal with defensive postures that the gamblers take. Gamblers believe that lack of money is the problem, they expect an instant or miraculous cure, they cannot conceive of life without gambling, and they see complete restitution of debts or stolen money as desirable but impossible.

The concrete problems the compulsive gambler typically faces, aside from the gambling behavior, are marital or family disruptions, immense debts, demands from creditors, loss of a job, alienation and isolation, threats from loan sharks, and legal entanglements. Therapists need to be aware of all of these difficulties.

Individual therapy is not as successful with these gamblers as group therapy and the use of Gamblers Anonymous. Group therapy enables the therapist to overcome the obstacles and problems noted previously. Fellow gamblers, because they know the facades and lies the neophyte has constructed, are able to show the gambler the other problems that need to be addressed aside from the monetary ones. In addition, identification with the group helps reduce the sense of isolation and alienation that compulsive gamblers feel.

Conjoint group therapy—counseling the spouses together—was tried at Brecksville, but it served only to bring out latent hostilities bordering on the homicidal. Care has to be taken that the spouse of the gambler does not unleash pent-up anger on the gambler. For this reason, separate group therapy sessions for gamblers and spouses is recommended, at least until major crises have been resolved. Such resolution is accomplished in approximately three months.

The gamblers' strengths make rehabilitation efforts much easier than initially expected. One can capitalize on their high intelligence, industriousness, high energy level, competitiveness, and desire for independence. These traits are particularly effective in reestablishing vocational activities. Work becomes a time- and energy-consuming activity that substitutes significantly for their drive to gamble. It is not uncommon for them to secure two or three jobs.

At present, while there are a few articles that have evaluated treatment programs such as individual psychotherapy and aversive conditioning, sufficient data

36. Ian Wray and Mark Dickerson, "Cessation of High Frequency Gambling and 'Withdrawal Symptoms,'" *British Journal of Addictions*, 76 (1981); these authors reported somatic disturbances in 39 percent of their sample.

are not yet available to determine which are the most effective modes of treatment.[37] We believe that group-oriented programs are more successful than individual methods. Gamblers Anonymous, for example, is probably more effective than its members realize. This is partially because, as our follow-ups on former members reveal, while they may not wish to attend meetings, many still abstain from gambling. Like all evaluations to date, this needs further investigation.

THE FUTURE AND PATHOLOGICAL GAMBLING

In the future we expect six changes that will have more of an impact on the image of the pathological gambler than presently exists. This image will be an increasingly medical one. While the medical model is just starting to take hold, by the year 2000 it will be firmly entrenched. First of all, the trend toward legalized gambling continues. In all probability, the Gambling Commission projections of millions more compulsive gamblers will come to pass. These increases, like the increases in the number of alcoholics following the repeal of Prohibition, will produce pressures to do something about pathological gambling. We believe that the "something" will take the shape of treatment under the aegis of the medical model. Second, in an interdependent development, the number of Gamblers Anonymous chapters and members will swell. GA began in 1957 with one chapter. By 1960 there were sixteen chapters; by 1970 this number had risen to 130; and by July 1983 there were 524 chapters worldwide. This number should exceed 1000 by 1990.

The third major change we project is in the direction of more state involvement and the eventual federal direction of treatment and clearinghouse functions through the National Institute of Mental Health. Legislation is now pending in Arizona, Washington State, Pennsylvania, and New Jersey to establish state-funded treatment facilities. We believe also that compulsive gambling treatment will follow the patterns set by alcoholism. In fact, many facilities treating alcoholics will expand to accept gamblers as well. This is occurring in several places already.

The fourth development involves the insurance industry. As states fund and legitimize the medical model of pathological gambling, insurance companies will be pressured to do the same. When this occurs, the gates will be open for private hospitals to enter the field as they are doing with alcoholism.

Fifth, as governmental agencies fund more treatment, they will demand evaluations of this treatment. With the demand will come more information than is presently available on the pros and cons of different methods of treatment.

Finally, the sheer availability of populations on whom to conduct research will entice more persons to examine pathological gambling. We expect an explosion of studies in the 1980s, 1990s, and the twenty-first century as a result. More will be known about pathological gambling than is known at present.

37. David Lester, "The Treatment of Compulsive Gambling," *International Journal of the Addictions,* 15(2):201-6 (1980); and David Greenberg and Howard Rankin, "Compulsive Gamblers in Treatment," *British Journal of Psychiatry,* 140:364-66 (1982).

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The Professional Gambler: Fame, Fortune, and Failure

By DAVID M. HAYANO

ABSTRACT: In its lengthy history, gambling has attracted amateur gamesmen, cheaters, charlatans, and professional gamblers. But only within the last fifty years has the entire social organization of gambling changed radically, due to the growing availability of legal casinos and card rooms. One result has been the creation of an entirely new breed of professional gambler, with four distinct subtypes: the worker-professional, the outside-supported professional, the subsistence professional, and the career professional. The majority of these gamblers eventually succumb to the interminable pressures of full-time gambling and encounter some degree of devastating social and financial failure. Only a minority find relatively lasting fame and fortune. The legitimation of recreational gambling is currently in an era of florescence, aided by the promotion of casino gambling as a kind of leisurely activity, the attention of the national media and gambling publications, and the organization of high-stakes, international tournament play. All of these conditions have helped professional gamblers pursue their specialized art with much more publicity, safety, and potentially greater rewards than ever before.

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POPULAR folklore and public opinion have hailed professional gamblers as free and independent spirits; they have also vilified them as worthless scoundrels. And while much of society has remained ambivalent about this confusing character type, scholars devoted to the study of gambling have neglected it almost entirely.

This article offers an inside view of the contemporary, legitimate professional gambler's life and play. The focus is not on the full-time cheater, the itinerant road hustler,[1] or casino owner. Data are drawn from recent, published source material as well as from over 10 years of research—including both participation and observation—among professional gamblers, mainly poker players, in California and Nevada.

THE PROFESSIONAL GAMBLER: A TYPOLOGY

Like the "compulsive gambler," the concept of the "professional gambler" is vague, and it is abused by self-glorification as well as self-deception. Moreover, the term "professional" as it refers to the full-time gambler should be used guardedly. Usually this modifier carries connotations of specialized training and education, membership in a guild or association, written rules of conduct, and additional formal traits. Some academicians would prefer that the word not be applied to marginal occupations at all.[2]

Nevertheless, we shall start by accepting its less formal usage. We must first determine who is and who is not a professional gambler. From there we will try to make finer distinctions that will help us understand the various forms of this particular occupational type.

One of the earliest attempts to describe the professional gambler comes from Morehead.[3] In the May 1950 issue of *The Annals,* which was devoted to gambling, he discussed four subtypes of the professional gambler: the banker, the cheater, the compulsive gambler, and the percentage gambler.

It seems, however, that this typology is much too broad and that some subtypes overlap with others or do not appear to be relevant at all. The banker, for example, may be the owner or operator of a legitimate or illegitimate gambling establishment and may more appropriately be seen as a businessperson, rather than any kind of gambler at all. Similarly, a successful cheater should not rightly be called a gambler, much less a professional gambler. This person takes as few risks as possible and acquires money by thievery or collusion rather than by gambling skill. And the compulsive gambler, a perpetual loser, surely deserves to be placed in an entirely different category.

Only Morehead's concept of the percentage gambler, a skillful player with a feel for probabilities and odds, seems to apply to some contemporary professional gamblers, especially those in the older generation. But this characterization is also slightly misguided, for many younger professional poker and blackjack players are cognizant of the precise

1. For an excellent elaboration, see Robert Prus and C.R.D. Sharper, *Road Hustler* (Lexington, MA: D. C. Heath, 1977).

2. A discussion of this terminological problem can be found in David M. Hayano, *Poker Faces: The Life and Work of Professional Card Players* (Berkeley: University of California Press, 1982), pp. 129-34.

3. Albert H. Morehead, "The Professional Gambler," *The Annals* of the American Academy of Political and Social Science, 269:81-92 (1950).

odds for playing or winning on particular combinations of cards. They have acquired this skill not through what Morehead has termed their "innate aptitude," but rather by memorizing and calculating specific mathematical formulae in their heads.

More recent typologies have contrasted the professional gambler with the social gambler, the compulsive gambler, the economic gambler, and other subtypes. It is usually agreed that the professional gambler alone is a skillful practitioner of one or more gambling games and that he or she relies totally upon skill, knowledge, and experience to win consistently. But pointing out specific representatives of this art is not so easy to do.

Elsewhere I have described professional gamblers as those who derive all or a significant part of their income from gambling activities.[4] Four main subtypes were found: the worker-professional, the outside-supported professional, the subsistence professional, and the career professional. In this typology I have tried to apply observable characteristics to the numerous gamblers I have known, rather than imbue them only with traits—such as compulsiveness—or behaviors—such as cheating—that are difficult to ascertain. Thus, while this typology of the professional gambler does not deny these important behavioral features, it does not rely on them exclusively.

The worker-professional includes men and women who work on the side, but who spend a large portion of their time gambling. Such an individual is not completely dedicated to gambling as a full-time career, and it is seen more as a serious hobby than a necessary occupation.

The outside-supported professional derives a steady income from savings, investments, retirement funds, or other sources. This category includes many retirees, housewives, and students who are merely trying to eke out a small profit from week to week. Their commitment to poker as a total way of life and dependable source of income is minimal.

The subsistence professional is a consistent winner, but a small one. It is this gambler's goal to win enough to pay the bills and yet have enough of a bankroll to play the next day. Little commitment is shown to moving toward higher stakes and playing against tougher competition.

The career professional has made a social and psychological commitment to gambling as an occupation. Even if totally broke, most gamblers in this category will not seek work but will borrow money in order to return to gambling. Many enjoy the daily gambles for high stakes, the casino and card-room atmosphere, and the lavish attention that accompanies the high rollers of the gambling world.

Table 1 summarizes some of the more salient characteristics of these four subtypes of the professional gambler. Fitting individual professional gamblers with specific subtypes is extremely difficult. The range of individual variation is immense, from lifelong gamblers dedicated to their craft, to unemployed men and women existing precariously on the fringes of casino life until something better comes along.

A word of caution must be offered here. The particular status and subtype of any individual professional gambler is rarely permanent. From game to game and year to year, the same player may

4. Hayano, *Poker Faces*, pp. 20-25.

TABLE 1

THE PROFESSIONAL GAMBLER: SUBTYPES AND CHARACTERISTICS

Subtype	Estimated Male/Female Ratio	Nongambling Income	Degree of Career Commitment	Usual Game Stakes	Desire for Upward Mobility
Worker-professional	15-20:1	Yes	None	All stakes	Moderate
Outside-supported professional	15-20:1	Yes	None to moderate	All stakes	Moderate
Subsistence professional	30-40:1	Usually no	Little to moderate	Small to medium	None or little
Career professional	40-50:1	Usually no	Moderate to high	Medium to high	Moderate to high

change behaviorally, psychologically, and financially, thereby spoiling the neat typologies of social scientists. At times it is futile to point to any outstanding distinctions between the career professional and the subsistence professional or, for that matter, between the professional gambler and the compulsive gambler.

Thus with the professional gambler we are concerned with a person who, like many other serious, nonprofessional gamblers, weathers many changes of mood and fortune. At best we can say that the image of the completely controlled, unemotional, totally economically motivated professional gambler who wins year after year is a serious distortion of the facts.

GAMES AND BACKGROUND OF THE PROFESSIONAL GAMBLER

The idea of professional gambling means that an individual wins enough money to sustain himself or herself and possibly others. Much of the likelihood of winning then depends upon what specific games the gambler chooses. One is not likely to find professional gamblers who make their living from games of pure chance, such as roulette, craps, keno, lotteries, various dice and domino games, or slot machines. The intractable, mathematical house edge makes it virtually impossible to win consistently in any of these games in the long run.

Successful gamblers are most likely to be able to earn money regularly in games that involve a combination of skill and chance. These include blackjack and poker, some strategic board games, and events, such as a football game or a horse race, that require the bettor to analyze past information to predict the future. It is only possible, not likely or easy, that a gambler could win on a regular basis in any of these games. Hence, references to professional gambling and professional gamblers normally only include situations in which the gambler brings to bear some degree of control or skill.

Survey data presented by Campbell[5] indicated that people who said they would like to be professional gamblers also liked to take chances in general. Most showed a strong preference for so-called masculine activities, and twice as many men as women chose this occupation. Other researchers have also noted marked sex differences in game choice.[6]

My study of the professional poker player[7] supports the observation that many more males than females are drawn to gambling as full-time work. A profile of the average professional poker player in the card rooms of Gardena, California, is that of a white male, aged 25 to 60, with at least some high school education. No longer is the typical professional poker player or gambler exclusively from the South, having struggled and risen from a poverty-stricken background. The shifting demographic picture of the contemporary professional gambler encompasses virtually every regional, religious, age, ethnic, and educational group.

Most professional gamblers live in urban areas where casino gambling, card rooms, off-track betting, or bookies are readily available. Unlike a

5. David P. Campbell, "Who Wants to Be a Professional Gambler?" in *Gambling and Society*, ed. William R. Eadington (Springfield, IL: Charles C Thomas, 1976), pp. 266-67.

6. Kay Deaux, L. White, and E. Faris, "Skill versus Luck: Field and Laboratory Studies of Male and Female Preferences," *Journal of Personality and Social Psychology*, 32:629-36 (1975).

7. Hayano, *Poker Faces*, pp. 20-26.

generation or two ago, very few traveling professionals ramble exclusively through the traditional gambling circuits in the South and West in search of lucrative back-room and private games. The proliferation of card rooms in California and casinos in Nevada and, most recently, New Jersey, have made the previously mobile professional gambler sedentary. Playing inside the casinos, there are also fewer dangers, such as robberies and hijackings.

Turning to full-time professional gambling usually means being familiar with some form of gambling during one's adolescence and having initial part-time success. This success may be so overwhelming that the individual never seeks nongambling work. In other cases, many full-time gamblers consider outside work a necessity only when their gambling turns sour. The combined reasons of job dissatisfaction, quick money, and an ease in gambling settings are major sources of the seductiveness of full-time gambling to many players.

Once tied into daily gambling and the friendship/support networks of lending and borrowing, the gambling scene becomes the main source of the player's energies and social activities. Work and play, fun and games merge. Indeed, for the professional gambler, these conventional distinctions no longer exist. Finding places of chance taking and consequentiality—what Goffman defines as "action,"[8]—takes over the life of the full-time gambler. The casinos and card rooms not only provide the arena for play, but they are also a source for other needs and pleasures, such as entertainment, food, drink, and companionship.

Although gambling may be experienced as an individual pleasure or pain, its actual conduct requires a supportive social organization of other players, rules, and paraphernalia. As Goffman reminds us,[9] when gamblers ask where the action is, they are seeking not only a physical place but a situation where they can make a living. A gambler cannot do it alone.

The arcane knowledge that professional gamblers have acquired in betting odds, money management, and practical psychological ploys usually is not applicable to other activities outside of the casino. Even within the casino or card room there are vast individual differences in ability, motivation, and interest. Professional gamblers tend to be specialists rather than generalists. Some are skillful only at one type of poker. Others are more versatile, shifting from the poker table to the blackjack table to the golf course, while waiting for the results of pending football bets.

Some professional gamblers are ready to bet their entire bankroll on the right poker or football game. Others will never risk more than a fraction of their total wealth at any one time. Thus, among professional gamblers one can find players betting fearlessly on any number of games, as well as those who are more selective and cautious. In gambling circles the fearless gambler who is ready to go all-in with his or her chips is admired much more than the overly cautious player. But in terms of practical results, either way may eventually lead to greater gambling glory or the gambler's ruin.

8. Erving Goffman, *Interaction Ritual: Essays on Face-to-Face Behavior* (New York: Doubleday, 1967), pp. 149-270.

9. Goffman, *Interaction Ritual,* p. 188.

FAME

In the past, a gambler's reputation was passed on only by word of mouth throughout the legal and illegal gambling clubs in the country. Now, however, big wins in poker, blackjack, state lotteries, and slot machines regularly reach the newspapers and television news. Popular newsstand publications such as *Gambling Times* have helped promote gambling as a natural, legitimate, exciting activity. Schools and other aids for teaching players how to gamble have become widespread. All of these sources of publicity have made fame and fortune in the gambling world much more visible.

International gambling tournaments, usually sponsored by Las Vegas hotels and casinos, have contributed immensely to gambling's publicity and social acceptance in the last 10 years. The well-known World Series of Poker, held every spring at Binion's Horseshoe Hotel and Casino in downtown Las Vegas, and Amarillo Slim's Superbowl of Poker, played annually in Lake Tahoe, offer a dozen or more contests from which contestants can choose. Added to these are numerous other daily, weekly, and monthly tournaments that are offered by card rooms throughout California and Nevada. Recent tournament competition in Las Vegas has also included blackjack, pan, craps, gin rummy, backgammon, horse race handicapping, and slot machines.

Poker tournament time is particularly important since, more than any other event, it draws together the largest congregation of professional gamblers in the world. Much as in the Old West, up-and-coming young players have an opportunity to shoot it out with the established winners, and perhaps increase their bankrolls 50 times over.

In addition to the tournament competition itself, immense nontournament side games offering day and night action are played. Most successful professional poker players consider it a waste of time to be playing in small-stakes games that do not match their reputation. Thus, during these side games there is a tendency for the betting action to be high in order to accommodate the players with the biggest bankrolls. Hundreds of thousands of dollars may be won or lost on single hands.

Ironically, many of the wealthiest poker players who are willing to risk a hundred thousand dollars or more in a single playing session can find games and players to accommodate them only during the major tournaments. Daily, ongoing games at this level are difficult to organize. In order to stay in daily action, many of these professionals must turn to other risky ventures, such as sports betting—the most popular form of gambling for professional gamblers after poker.

Smiling tournament winners appear in each issue of the popular gambling publications. The players have now begun to see themselves as part of a new social hierarchy linking professional gamblers from Las Vegas, New York, California, Texas, and the rest of the country. Tournament winners and wealthy players, those who enter most of the major tournaments and gamble for immense daily stakes, sit comfortably at the top of the competitive pyramid.

Middle-range players, aspiring to increase their bankrolls and having a shot at winning substantial amounts of money in tournament play, are at the next level. Below them are the amateurs and the lower-level pros, some of whom are clawing their way back up the competitive ladder. Both media coverage and

the formalization of gambling tournaments, which attract competitors from all over the world, have been responsible for creating this new, public hierarchy of professional gamblers.

Basking in this attention, many professional gamblers, especially poker players, now refer to themselves and their peers as superstars and world-class players. These titular enhancements are akin to the ranking of sports celebrities and have produced in the gamblers a more positive change in self-identity. The gambling subculture, enjoined through several trade publications, can now claim its own stars and spokespersons.

But while some professional gamblers, such as poker players, avidly seek out publicity for themselves, others can and must shun the limelight. Such is the case with many professional blackjack card counters and those organized in secretive, collusive teams. Perhaps the most notorious of these teams was organized by Ken Uston, a former vice-president of the Pacific Stock Exchange, who in the 1970s turned to blackjack as a business and with teammates won over $1 million from casinos around the world.[10]

FORTUNE

How much does a professional gambler make in a year? This is a difficult question to answer with certainty. The main problem, of course, is that gambling income is not derived regularly and evenly. Some players have been known to win thousands of dollars over the course of a month or two and then lose it all in a bad night's run at blackjack, poker, or sports betting. Some of the most notable poker and blackjack players have won and lost millions in a year.[11] Stories of bountiful wins and unbelievable losses are told and retold in every gambler's repertoire of sad tales.

Most professional gamblers do not keep exact records, since their personal fortunes may fluctuate significantly by the hour or day. The only figures that are relevant to professionals are the size of their current bankroll, how much is bet at the moment, and how much is loaned out and owed.

One close observer of Las Vegas poker players guesses that fewer than 10 professional gamblers earn over $100,000 annually.[12] Most players are in and out of the money. Another writer estimates that the net average earning for all poker players in Las Vegas is only around $12,000 per year.[13]

My figures for 30 professional poker players in Gardena, California, in 1976, when the maximum betting limit was only $20, show an average profit of $15,000 with a range of $5000 to $45,000.[14] Since then, because of the increase of the betting maximum to $200, the average earnings, range of income,

10. Ken Uston with Roger Rappaport, *The Big Player* (New York: Holt, Rinehart and Winston, 1977).

11. Prominent examples can be found in Don Jenkins, *Champion of Champions* (Odessa, TX: J. M. Publications, 1981); Doyle Brunson, *How I Made Over $1,000,000 Playing Poker* (Las Vegas, NV: B and G Publishing, 1978); Michael J. Caro, *Bobby Baldwin's Winning Poker Secrets* (Las Vegas, NV: B and G Publishing, 1979); and Ken Uston, *Million Dollar Blackjack* (Hollywood, CA: SRS Enterprises, 1981).

12. Ian Andersen, *Turning the Tables on Las Vegas* (New York: Vanguard Press, 1976), pp. 133-34.

13. Frank Wallace, *Poker: A Guaranteed Income for Life by Using the Advanced Concepts of Poker* (New York: Warner Books, 1977), p. 211.

14. Hayano, *Poker Faces*, p. 73.

and size of losses have increased substantially.

It should be understood that computing yearly averages for professional gamblers as a group is highly misleading and hides the wide variation in profit and loss. The difference between several thousand dollars and tens of thousands of dollars is not only one of money. An entire life-style and reputation are at stake. Big winners become money lenders and surround themselves with obvious examples of material success, typically expensive jewelry and automobiles. Small winners and losers become borrowers, who must continually worry about the next day's bankroll and when their luck will change.

Computing precise lifetime profits and losses for the professional gambler is virtually impossible. In the end, the only fact that is relevant is whether a player is still in action or out of it.

FAILURE

Failure, in the form of permanent or cyclical loss, is a perpetual occupational hazard to the professional gambler. Much of the daily card-room and casino gossip among regulars reveals quite specific information about the wins and losses of its more notable players.

More than the recreational gambler, career-professional gamblers must be able to cope with severe losses of both money and self-confidence after a fall. Because they have little recourse for raising quick money outside of the casino, professional gamblers must employ special tactics within the casino to get back in action. Usually this means raising a new bankroll.

While some professional gamblers remain staunch loners, most cultivate close friendships among their peers. Networks of social and financial support are available to the professional gambler, unless he or she has developed a reputation as a poor or erratic player or a gambling degenerate who is unable to win and pay off debts. In many high-stakes poker games, chips or money are often lent between friends, free of interest, right over the table, while other hands are still in progress.

These social networks are organized loosely and based on face-to-face acquaintanceships developed through months and years of mutual gambling.[15] Through observation and table talk one can determine quite accurately another player's ability to play well, remain mentally stable, and to pay off potential future loans.

These essential ties of mutual support among professional gamblers raise the interesting question of how one should play against friends. This problem does not arise in games that pit the player against the house, such as in blackjack or sports betting. But in the poker circuit, friends and acquaintances find themselves together almost all of the time. In fact, in the regular, ongoing, middle- to high-stakes games in California and Nevada, it is unusual to find any complete strangers at all. When they do show up, strangers are treated with a great deal of suspicion and are sized up immediately by the way they handle their cards and chips and how they play specific hands.[16] It is imperative that the professional gambler evaluate the opponent quickly and determine whether

15. See David M. Hayano, "The Professional Poker Player: Career Identification and the Problem of Respectability," *Social Problems*, 24(5):555-64 (1977).

16. David M. Hayano, "Communicative Competency among Poker Players," *Journal of Communication*, 30:99-104 (1980).

he or she might be a good player, a live one, or a potential cheat.

Ideally, most pros state that one must play hard against every opponent, even if one has just lent the opponent money, and that playing soft kills the action in the game. In actual practice, pros work in many ways. Although extremely hard play against a borrower may not be recommended, many pros play semi-soft, not bluffing or raising friends in the same pot unless other live ones are involved in the middle. Some will also state that any version of soft playing is a form of cheating.

Tough decisions must be made when coping with repeated loss, indebtedness, and failure. This may signal a time to curtail gambling, play for smaller stakes, play in a different club, move to another city, or attempt to seek non-gambling employment. It may also mean finding new spots in the casino from which to borrow. Career professionals, more accustomed to drastic upward and downward swings, can usually find the most support from peers. In their eyes, failure is only temporary. With few other options to pay off debts, they must find solace in the belief that, with their skill, perseverance, and a new stake, they will eventually win.

Over a period of months and even years it is not unusual to see the same stock of gamblers sitting at the same gaming tables; but dramatic changes in their financial state, which are hidden by their life-style as high rollers, may have occurred. Lenders of money could now be borrowers and vice versa. Shifting friendships and quasi-partnerships, brought about by the need to find support and survive, may have eroded some relationships and bonded others. These invisible social ties and sentiments are critical features in forming the overall social organization of professional gamblers.

As with other forms of competition that involve money, failure—whether it is a cycle or a complete finale—is built into the system of full-time gambling.[17] Odds and edges, extracted by the house or superior players, eventually take their toll. Gambling is a classic zero-sum game; winners win only because others lose.

Money first tends to flow to the casino or house, taken as the vigorish, the mandatory collection fee, or miscellaneous fees and tips. Consistent winners have a tendency to move upward, toward the tip of the competitive pyramid. The money accumulated by the top winners is funneled upward from the middle- and lower-level players, from amateurs, hopeless losers, and former winners. In short, professional gambling thrives on failure.

A NEW DEAL

In the three decades since Morehead offered his summation of the professional gambler, the entire social organization of gambling has changed radically. Legal gambling in general has become more popular, more available, more closely supervised, and safer. All of these factors have combined to create a contemporary professional gambler who is much more protected, skillful, strategically sophisticated, and sedentary than his or her historical counterpart. This is an era of florescence and legitimacy for the professional gambler.

With greater wealth and leisure time, many individuals can pursue gambling as a serious hobby on a daily basis

17. Philip Slater, *Wealth Addiction* (New York: Dutton, 1980), p. 74.

through off-track betting centers, bookmakers, neighborhood card rooms, or nearby casinos. Hence, two subtypes of the professional gambler, namely the worker-professional and the outside-supported professional, have begun to appear in greater numbers. This, of course, has made the competition much tougher for the full-time subsistence and career professionals.

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Sports Betting

By GEORGE IGNATIN

ABSTRACT: This article discusses the type of people who wager on sports events and the reasons they gamble. It describes different types of bets on sports events, how betting lines are set, and the odds and probabilities involved. It examines in detail the difficulties in estimating the amounts of money wagered illegally in this country, and, after describing the nature of bookmaking operations, it concludes that total dollar amounts wagered with bookmakers are usually underestimated while the net income of bookmakers is typically overestimated.

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PEOPLE have been gambling on a wide variety of activities for thousands of years. In the United States today, large numbers of people bet relatively small amounts of money with friends on the outcome of sporting events; on the same events, a small number of persons bet a large amount illegally with bookmakers.

Gambling on sporting events involves large amounts of money—just how large may be impossible to determine, because most sports betting is illegal. Legal betting in Nevada has increased dramatically in the last decade;[1] and, judging by television, radio, and newspaper coverage, sports gambling is now considered part of the American way of life. Betting on football almost certainly involves the largest amount of money, followed by betting on horse racing, baseball, and basketball, in that order. Betting on hockey, although probably increasing at the fastest rate, presumably still involves a small amount of money. Bookmakers also accept bets on a very small number—fewer than 10 a year—of highly publicized boxing matches.

Gambling markets for baseball, football, and basketball exist in all large cities in the United States, even though it is illegal to bet on these sports anywhere except Nevada.[2] The proposition has not been tested systematically, but gambling on sporting events probably increases with the number of persons in the area and the amount of interest in sporting events, which is a function of the number of local teams and television coverage. Thus, as the number of teams in professional sports leagues increases along with expanded television broadcasts and coverage—due to increasing penetration of cable—it seems reasonable to assume that illegal sports gambling will also increase.[3]

IS GAMBLING RATIONAL?

Despite evidence that gambling, particularly on sports, is ubiquitous, economists long have considered gambling irrational, while psychologists think it is at best neurotic. The standard view in economics is, briefly, that because of the law of diminishing marginal utility, the additional utility that might be won, even on a fair bet, is always less than the utility that could be lost.[4] In addition, most economists, after assuming that there is no utility involved in the act of

1. According to data supplied by the Nevada State Gaming Control Board, between 1975—the first full year after the federal gambling tax was reduced from 10 percent to 2 percent of handle—and 1979, the horse racebook handle increased from less than $41 million to $116 million, and the sports handle—excluding horse racing—increased from $41 million to $258.7 million. In 1973—the last full year before the tax cut—the horse handle was $16 million, and the sports handle was less than $4 million.

2. It is also legal to bet on sports in Montana and Washington, but the only type of legal bet involves a sports pool with a maximum wager of $1 and a maximum possible win of $100. In addition, gambling debts cannot be enforced in state courts.

3. "Casual," or nonsystematic, interviewing methods tend to substantiate these conclusions. Bookmakers have mentioned to me on numerous occasions that televised games get much heavier play than nontelevised games; for similar views, see Larry Merchant, *The National Football Lottery* (New York: Holt, Rinehart and Winston, 1973), pp. 6-7; and H. Roy Kaplan, "Sports, Gambling and Television: The Emerging Alliance," *Arena Review* 7(1):4-7 (Feb. 1983).

4. Daniel Bernoulli, "Exposition of a New Theory on the Measurement of Risk," *Econometrica,* 22:23-26 (Jan. 1954; originally published in 1738 in Latin); for a full discussion, see George Ignatin and Robert Smith, "The Economics of Gambling," in *Gambling and Society,* ed. William R. Eadington (Springfield, IL: Charles C Thomas, 1976).

gambling, agree with Adam Smith that, in many gambles, the odds are against the amateur gambler; therefore

> a substantial economic case [can] be made against gambling... it involves simply sterile transfers of money or goods . . . [which] absorb time and resources. When pursued beyond the limits of recreation... gambling subtracts from the national income.[5]

The evidence, however, shows that extremely large numbers of persons bet on sporting events. Sports bettors tend to be urban, male, and middle class. They are much more likely than nonbettors to attend nightclubs, bars, operas, lectures, and museums; engage in active team sports; go to movies or theaters, and sport events; drink alcoholic beverages, engage in active nonteam sports, and read newspapers or magazines. They are less likely than nonbettors to engage in church activities and home improvement or watch television. Sports bettors spend more time and money than nonbettors on recreation and vacation.[6]

People bet on sporting events for a variety of reasons that can be grouped into two general economic categories—investment and consumption. "Consumption" refers to those bets made to increase the utility, or satisfaction, a person receives from watching a sporting event; "investment" refers to those activities undertaken in order to increase wealth. Thus persons who bet on football games do so to make the game more exciting and because they believe they are more likely to win the bet than lose it. Both motives may be present at the same time, although consumption may be more important for games the bettor intends to watch. As bettors increase the number or frequency of their bets for consumption purposes, they become aware of the investment aspect.

When bettors were asked why they gambled, the study *Gambling in America* found,

> The most frequently mentioned reason for betting with friends was "to have a good time." The reason most frequently mentioned for betting with bookies was the "challenge." "Excitement" was given as a reason more often for friendly betting while "to make money" was given as a reason for bookie betting.[7]

However, it should be noted that such objective data are not persuasive to some psychologists. Bergler argues that

> the gambler feels some need to appear rational in the eyes of society. He offers, therefore, "rational" explanations for his gambling. The two most familiar are: "I do it to make money," and "I enjoy the thrill of the game."[8]

HORSE RACING

Relative to other sports, horse racing has a greater number of legal betting markets, but a smaller number of illegal markets, in large part because the odds are determined after the fact by the bettors. Racetracks use a pari-mutuel system, in which a computer totals the bets on all horses, subtracts the share going to the state and the track—usually between 16 and 20 percent—and then divides what is left among the winning bettors. This method guarantees that

5. Paul A. Samuelson, *Economics,* 10th ed. (New York: McGraw-Hill, 1971), p. 425n.

6. Commission on the Review of the National Policy toward Gambling, *Gambling in America* (Washington, DC: Government Printing Office, 1976), pp. 297-326.

7. Ibid., p. 326.

8. Edmund Bergler, *The Psychology of Gambling* (London: International University Press, 1958), p. 5.

the track and the state will make money. Illegal bookmakers have no such guarantee: they pay track odds regardless of the amounts wagered with them. If there are a large number of horse players, such as in Nevada, New York, and Chicago, bookmakers will bear little risk of losing. However, if there are only a small number of horse players, such as in Mississippi or North Dakota, a bookmaker bears a much larger risk.

The amount of money bet legally on horse and dog racing is quite large, but has not been growing rapidly. Between 1972 and 1981, pari-mutuel revenues for all states increased by only 31.6 percent despite high rates of inflation and the entrance of Connecticut into the field in 1976. Indeed, California, Connecticut, and Florida accounted for 96 percent of the total increase in revenues. Moreover, the data overstate the amount bet on horse racing. In some states—for example, Florida and Alabama—more money is bet on dog racing than on horse racing; and in some states—for example, Florida—more money is bet on jai alai than on horse racing.

FOOTBALL, BASEBALL, AND BASKETBALL

The most common sports bet is the straight bet: a bet on one team to beat another team. Because it is fairly simple to predict which team will win a game—sportswriters regularly pick 60-65 percent winners—most straight bets involve points or odds. In football and basketball favorites are minus points, and in baseball they are minus odds. For example, if the lines makers install a football team as a 7-point favorite (F – 7) the other team—the underdog, D—receives, or is plus, points (D + 7). For bettors on F to win, F must beat D by more than 7 points; for bettors on D to win, D must win the game or lose by fewer than 7 points. If F wins by exactly 7 points the bet is a tie, or "push."

In addition, bettors must "lay" or "put up" $11 to win $10. Thus, to break even, a bettor must win 11 out of 21 bets, or 52.38 percent of the bets. The bookmaker's "edge," which is called "vigorish" or "juice"—the percentage of the total amount bet that the bookmakers wins if bettors are right 50 percent of the time—is $1 out of every $22—4.55 percent—put up by bettors or $1 out of every $20—5.0 percent—risked by bookmakers.

The typical, straight baseball bet involves an odds or money line, rather than a pointspread. The bettor "lays" or "gives" odds, or a "price." If F is a 3-to-2 favorite, the price is F minus 1.50, or F is called a 50-cent favorite. This means that a bettor on F must put up $150 to win $100, and a bettor on D must lay $100 to win $140. This is called a 10-cent line, because there is a "10-cent"—that is, a $10—difference between what the bettor on F puts up and what the bookmaker puts up when a person bets on D. Legal betting in Nevada involves a 20-cent line: if the bettor on F risks $140 to win $100, a bettor on D puts up $100 to win $120. This has resulted from the fact that the U.S. government taxes legal bets at 2 percent of the amount put up by the bettor.[9]

9. When a person puts up $14 to win $10 on F, the bookmaker must pay the government $.28, and when a person puts up $10 to win $12 on D, the bookmaker must pay $.20 in taxes. If $10 are bet on each team, the bookmaker must pay $.48 to the government, and he or she wins $2, for a net of $1.52 if D wins. If F wins, the bookmaker still pays the $.48 tax and breaks even on the two bets. However, because F is a 40-cent favorite, F is likely to win about 57 percent of the time. Thus the

Because a bookmaker's risk decreases as the number of bets increases and the size of the maximum dollar bet decreases relative to the total dollar volume of bets, the 10-cent line has been typical in illegal baseball markets where there tend to be a very large number of relatively small bets on a large number of games.

Some bookmakers use a variant of the point-spread line for baseball games in which one team is a top-heavy favorite. Instead of being F – $2.80, the line will be F – 2½ runs, D + 2 runs. If F wins by exactly 2 runs, the bookmaker wins one bet and ties the other. Recognizing how profitable such a method is, some bookmakers use point spread lines any time F is greater than a 40-cent favorite, using a simple discrete formula: if F is between 1.40 and 1.90 to 1, they make the line F – 1½, D + 1; if F is between 2.00 and 2.50, they make it F – 2, D + 1½; and if F is greater than 2.50, they make it F – 2½, D + 2.

There are also bets on "totals"—the total number of points scored by both teams. The bettor can bet either "over" or "under." If the total line is 35, a persons who bets over is betting that the two teams will score more than 35 points. Thus it is possible to have two bets on each game: one bet on whether Team A will beat Team B by at least X points and a second bet on whether the two teams will score more or less than a total of Y points. Although total bets recently have become more common in football and basketball, they have been used for years in baseball, where they may be as important as straight bets.

expected value of the two bets to the bookmaker is about $.45. An illegal bookmaker, using a 10-cent line and not paying the 2 percent tax, would make $2 if D wins and break even if F wins, for an expected value of $.86.

COMBINATION BETS

Bets can also be made on combinations of teams. There are three types of such bets: parlays, turnarounds—also called "turns" or "reverses," and teasers.

A parlay is a bet that two or more teams will beat the line. If any of the teams on the parlay loses to the line, the parlay loses. With most bookies, a two-team parlay pays off at 13 to 5 odds; that is, a bet of $5 wins $13 if both teams win. Three-team parlays pay off at 6 to 1, and four-team parlays pay off at 11 to 1. Parlays of more than four teams are not common except on parlay cards, which usually pay much worse odds than do bookies.

A turnaround is a bet in which a bettor bets on two teams. A $100 turn involves a bet of $110 to win $100 on team A, and, if team A beats the line, a bet of $110 to win $100 on team B, plus a bet of $110 to win $100 on team B and, if team B beats the line, a bet of $110 to win $100 on team A. If both A and B beat the line, the bettor wins $400; if both lose, the bettor loses $220; if one wins and one loses, the bettor loses $20. Thus, a $100 turn is approximately equivalent to a bet of $220 to win $200 on team A plus $220 on team B.

A teaser is a parlay in which the bettor can take more points or lay fewer points than the line, but sacrifices odds to do so. A two-team, 6½-point football teaser allows the bettor to add or subtract 6½ points to or from the line, but the bettor must lay $11 to win $10 and both teams must win for the bet to win. To break even on 6½-point teasers, a bettor must win 72.37 percent of the games. A two-team, 6-point teaser is an even-money bet: $10 wins $10. Three-team, 6-point teasers pay 9 to 5 and four-team, 6-point teasers pay 3 to 1. To

break even on 6-point teasers, a bettor must win slightly less than 71 percent of the games. There are also two-team, 7-point, three-team, 10-point, and four-team, 12-point teasers. Basketball teasers now have only 4 points.

It is commonly assumed that parlays and teasers are sucker bets.[10] However, there is a question as to who the suckers are. Ten years ago basketball teasers allowed bettors to move lines five points. The lines were so good that approximately 74 percent of the college games fell within five points of the line, and that meant that a random selection would have won more than 54 percent of the teasers played.

The reason parlays appear to be bad bets is because of an assumption that bettors will be right exactly 50 percent of the time. If that assumption is correct, then a number of straight bets will lose less money than will parlays involving the same amount of money. But if bettors are right 53 percent or more of the time, two- and three-team parlays will win more money than will a set of straight bets.[11] Moreover, as the predictive ability of bettors increases, the advantages of betting parlays increases.[12]

10. Larry Merchant says, "I regard [a] two-team parlay as terminal cancer. . . . Parlays are get-rich bets that make you poor." Merchant, *National Football Lottery*, pp. 50-51.

11. The break-even percentage for two-team parlays is .5270. For three-team parlays, it is .5228, which is less than the break-even percentage—.5238—for straight bets. For four-team parlays, the break-even percentage is .5373.

12. If bettors are right 60 percent of the time, 100 straight bets of $100—$110 to $100—will win $1600, but 100 two-team parlays—$100 to $260—will win $2960, 100 three-team parlays—$100 to $600—will win $5120, and 100 four-team parlays—$100 to $1100—will win $5552.

SETTING LINES

A mythology has grown up about the method by which lines are set in Las Vegas. According to Larry Merchant, the *deux ex machina* was Bob Martin who, based on his profound personal knowledge of football, would set a preliminary, or "outlaw," line, which a small group of knowledgeable bettors—"pros"—could bet as early as the Monday morning before—that is, five or six days before—the games were to be played. Martin would then adjust the line and release it to the general public Tuesday morning. This probably was the way pro football lines were set before the mid-1970s. However, Martin's expertise did not extend to other sports, and with the large increase in the number of sports books in Nevada coupled with Martin's legal difficulties, it now appears that the method used to establish lines is less personal and romantic and more systematic.

There are at least four Nevada books that appear to have their own handicappers. Those books establish and post lines, some as early as Sunday night for the following weekend. Then all books compare the posted lines and make slight adjustments but essentially arrive at a consensus near the average of the posted line. From then on lines are adjusted according to money bet.

Each handicapper probably uses a different implicit method, using numerous factors with different weights. But the overriding consideration is an estimation of how the betting public will handicap the games and, more important, how the public will bet. Specific factors for football and basketball are

—relative strengths of the teams, including records against previous lines;

—home court advantages;

—"momentum," that is, recent performance and winning or losing streaks;

—injuries;

—specific match-ups, for example, the addition of points to a team with a good passing game playing a team with a weak secondary;

—performance in recent national television broadcasts, where a team that plays well is overrated by bettors; and

—"public" teams—those on which the betting public likes to bet, such as the Dallas Cowboys—or home teams. Thus bettors in Los Angeles like to bet on Dallas, and they like to bet on the Los Angeles Rams when the Rams are doing well, but they bet against the Rams when the Rams are doing poorly. The Rams, Dodgers, and Lakers—all teams from Los Angeles—are Las Vegas's home teams and therefore tend to be overrated by bookmakers.

Baseball has roughly the same group of criteria with one important additional element: baseball lines are established, in large part, by the relative qualities of starting pitchers. Handicappers compare opposing pitchers' performances at home and on the road using relative earned-run averages, won-lost records, momentum, specific historical match-ups—that is, how well a pitcher has pitched against the opposing team in past years—and how well the opposing teams do against left- or right-handed pitchers.

AMOUNTS BET

Determining the amount of money wagered illegally on sports obviously will be very difficult. Specific objective data do not exist. There are two methods that can be used to make estimates, but both methods have serious flaws.[13] The first method would take data on legal gambling in Nevada and make extrapolations based on reasonable assumptions. Assumptions would have to be made about the extent of illegal sports betting in Nevada, the percentage of legal sports bets made by non-Nevada residents, and whether out-of-state persons who bet legally in Nevada bet illegally in their home states. The variance in these assumptions would be enormous, yielding multipliers as low as 20 or as high as 300.

The second method consists of asking a random sample of persons how much they bet illegally. There are at least three important problems with this method. First, it may not be possible to get a random sample that includes those persons who bet large amounts of money illegally. Such persons make up a very small percentage of the population; they may have abnormal life-styles that make it difficult for interviewers to find them; and they might not grant interviews. Second, persons who do grant interviews might lie. Finally, bettors might not realize how much they bet. All three of these criticisms indicate that surveys will underestimate the amount of illegal sports betting.

There have been at least two attempts to use the latter method. The first, a

13. Law enforcement officials regularly make estimates based on undisclosed methods. Since these officials have an economic interest in overestimating and do not discuss their methods, such estimates have little usefulness.

1972 study by Oliver Quayle and Company, estimated that $688 million was wagered on sports in New York City, $464 million illegally.[14] The second, *Gambling in America,* estimated that in 1974 $2.5 billion was wagered illegally on sports in the United States.[15] Because residents of New York City are much more likely to bet illegally than other Americans, it can be assumed that the estimates are roughly in the same ball park.

The second study estimated that the average annual amount of money bet per bettor at sports books in 1974 was $623.[16] Although this was the highest amount shown for any gambling activity, it is incredibly low for at least four reasons. First, bookmakers talk about their so-called small players, who bet quarters—that is, $25—and half-dollars —$50. If one such small player bet only $25 per game on only one-fourth of the baseball games played in a season and never bet on totals, he or she would still have wagered $13,162.50, $14,478.75 if juice is counted. If that small player bet $25 on every game and every total, he or she would have wagered $105,300, $115,830 if juice is counted, just on baseball. There are betting lines for almost as many college basketball games as for college baseball, while pro basketball has about half as many as pro baseball.

Second, if a bookmaker, operating alone, wins 4.5 percent of each bet made, and needs to win $30,000 a year to stay in business,[17] he or she would have to handle $660,000 per year. This means the bookmaker would have to have 1059 average customers. If it takes 15 minutes per week per customer to settle up—pay off and collect—the bookmaker would need more than 264 hours per week in addition to the time spent on the telephone.

A typical illegal bookmaking operation involves two people who divide up the jobs of giving out lines, taking bets, moving lines, totaling the tickets—that is, figuring out how much each bettor won or lost the previous night—and settling up. If only $70,000 is needed to meet expenses and keep the two people in business, the operation would have to take in $1.5 million, or the amount 2472 average bettors would wager. Since 1974, inflation has caused incomes and prices approximately to double, so the operation would need only 1236 customers. But it is doubtful that a small, two-person operation could service more than 100 customers, or that bookies make only $20,000 per year. If the operation won $100,000 per year from 100 customers, each bettor would have had to wager $22,000 per year, which is more than 17 times greater than the inflation-adjusted estimates of the *Gambling in America* survey.

Third, few if any bookmakers will accept a bet of less than $10, and most

14. Oliver Quayle and Company, "A Study of Betting on Sports in New York City," in *Legal Gambling in New York: A Discussion of Numbers and Sports Betting* (New York: Fund for the City of New York, 1972), p. 31.

15. Commission on the Review of the National Policy toward Gambling, *Gambling in America,* pp. 94-95.

16. Ibid., p. 105.

17. This is a very low estimate: out of that $30,000, expenses must be paid. Merchant reports that in 1971, "a bookie in suburban Boston . . . with two clerks . . . grossed approximately $7,300,000, handled $4,645,000 himself and laid off $2,655,000." His gross win was $214,500, his "operating costs, including $20,000 in bad debts, came to about $60,000. He made $155,000 in profit." Merchant, *National Football Lottery,* pp. 136-37.

will not accept bets of less than $20. There are some who will not accept bets of less than $100. Bookmakers also will not continue dealing with customers who make fewer than 5 or 10 bets per week. If a sports bettor takes 12 weeks of vacation a year and makes only 5 bets per week at $10 per bet, he or she would wager $2000.

The Quayle study found that so-called heavy sports bettors accounted for 97 percent of all dollars bet on illegal football and basketball through bookmakers and 95 percent of all such baseball bets.[18] "Heavy sports bettors" were defined as "the 5 percent of the population who report betting 500 dollars or more in the last year on football, basketball, and baseball combined."[19] The average amount bet by heavy bettors in 1972 dollars was $806 on football, $538 on basketball, and $496 on baseball. However, if moderate sports bettors—the 8 percent of the population who bet between $100 and $499 total, but less than $50 illegally—and light sports bettors—the 12 percent of the population who bet less than $100 total and less than $1.20 illegally—are counted, then the average yearly amount bet illegally was only about $310.

The most plausible explanation for these discrepancies is that the two studies are picking up a large number of persons who, even though they admit to betting illegally, are not, in fact, placing bets with bookmakers. Most likely, they ask friends who bet regularly with bookmakers to place bets for them.

Finally, it seems highly likely that the two surveys missed a very small number of persons who make a very large number of extremely large bets. Bookmakers have discussed players who bet $10,000 and $20,000 on each of 5 to 10 football games per week. One bookmaker told me of a person who bets $3000 on almost every baseball total. A bet of $3000 on 80 percent of the baseball totals in one season would amount to more than $5 million, $5.56 million with juice included. A bookmaker with one such huge player and 50 small players who bet only $25 per game on one-fourth of the baseball games and totals would handle $6.37 million worth of baseball bets, $7 million with juice.

POLICY IMPLICATIONS

It is likely that both *Gambling in America* and the Quayle study underestimated the total amount of illegal sports betting in the United States, although it will be impossible to estimate the actual amount within reasonable limits.[20] Luckily, there is no overriding public need to make such estimates; what is important is how much is earned by bookmakers and whether governments can capture some of those earnings.

Bookmakers do, in fact, earn their money. Even if their work is not particularly grueling or time-consuming, it is highly risky. Bookmakers face three different types of risk. First, because their activities are illegal, they risk being arrested and having their funds and property confiscated. Second, bookmakers have extremely high bad-debt ratios. Third, if bettors, on average, are right more than 50 percent of the time, bookmakers can lose money. Thus, if bettors are right 51 percent of the time, a

18. Oliver Quayle and Company, "Study of Betting," pp. 14, 23, 28.

19. Ibid., p. 2.

20. Peter Reuter, *Disorganized Crime: The Economics of the Visible Hand* (Cambridge, MA: MIT Press, 1983), pp. 21-33.

bookmaker with a total handle of $1.1 million will have a gross win of only $29,000, out of which he or she will have to pay bad debts and expenses. If bettors are right 52 percent of the time, a bookmaker with a total handle of $4.4 million will have a gross win of only $32,000.

Because sports betting involves opinions and not necessary probabilities, such winning percentages are not impossible. Indeed, because heavy bettors often deal with numerous bookies—sometimes in different areas of the country—and get to choose among lines that usually vary by one point and can vary by as much as four to five points, such percentages may even be likely. Thus, although bookmaking probably involves huge amounts of money, the net profits to bookmakers are, probably, quite small. Government attempts to capture some of those profits will therefore produce a small amount of revenue.[21]

Unfortunately, there is general agreement that "gambling is the greatest source of revenue for organized crime."[22] Thus, by implication, sports gambling is assumed to involve large amounts of profits for organized crime. Often it is argued that such profits are used to finance the purchase and distribution of narcotics.

Such arguments involve three mistakes: an assumption that because there is a huge amount of sports betting there must be a huge amount of profit; a fallacy of decomposition that what is true for some types of illegal gambling—for example, numbers—is true for illegal sports betting; and a convoluted assumption that narcotics operations are not profitable enough to generate the funds necessary for their continued operations. The last assumption, if true, would lead to the conclusion that organized crime deals in narcotics not for the money, but for the fun.

21. George Ignatin, "Taxing Peter to Spite Paul: The Effects of Taxes and Regulation on Sports Gambling," in *The Gambling Papers: Proceedings of the Fifth National Conference on Gambling and Risk Taking* (Reno: Bureau of Business and Economic Research, University of Nevada, 1982).

22. President's Commission on Law Enforcement and Administration of Justice, *The Challenge of Crime in a Free Society* (Washington, DC: Government Printing Office, 1967), p. 188; Humbert S.. Nelli, *The Business of Crime* (New York: Oxford University Press, 1976).

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INTERNATIONAL RELATIONS AND POLITICS

COLLINS, ROBERT O. *Shadows in the Grass: Britain in the Southern Sudan, 1918-1956.* Pp. xiv, 494. New Haven: Yale University Press, 1983. No price.

Robert Collins's fourth volume on the southern Sudan focuses—a bit loosely—on why British rule in the Sudan first systematically exacerbated the cultural and economic chasm separating the Muslim, Arabic-speaking north from the south, land of the Nuer, Dinka, Shilluk, Anauk, and Azande, and then abandoned the southerners to their fate by turning them over at independence in 1956 to the northern-dominated Republic of the Sudan. That fate was a 17-year civil war that ended in stalemate a decade ago. Although critical of an indirect rule policy that, based as it was on conserving old ways—or, more often, creating them—as a basis for southern administration, logically compelled Khartoum to erect barriers to social change in the direction of northern ways, Collins generally treats the Bog Barons who administered the region sympathetically, as paternalistic romantics wishing to protect their people from the crafty northerner and his subversive ideas, particularly nationalism.

Shadows in the Grass is a genuine pleasure to read, and it reflects exhaustive research in English and Sudanese archives as well as personal papers. Particularly impressive is Collins's sense of personalities and conflicts within the Sudan Political Service and between it and other bureaucracies—a sense that surely derives from many interviews he conducted 20 years ago with old Sudan hands. In its style and thoroughness, the book is a major contribution to the history of the area and of administration in colonial Africa.

A serious flaw, however, is that Collins is writing strictly about administrators; missionary records, for example, are listed in the bibliography but seldom if ever used in the text. Sources control approach far too much: one can seldom distinguish precisely between views of the administrators quoted and those of Collins whether as to Dinka raiders, Italian missionaries, or Egyptian irrigation schemes. Two exceptions are telling: he relies heavily on Conrad Reining on the Azande scheme and on H. D. Johnson's 1980 doctoral thesis on Nuer prophecy. As to these topics the work is critical of the archival sources. My conclusion is that Collins follows whatever source is most persuasive: given the dearth of serious studies of the southern Sudan, that source is usually a British administrator. But absence of a good

source does not mean the available one is reliable; Collins too often does not honor this canon of the historian's craft. Some solid approach to the topic is essential for such studies as this to succeed, and none emerges here.

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HARE, J. E. and CAREY B. JOYNT. *Ethics and International Affairs.* Pp. vii, 208. New York: St. Martin's Press, 1982. $25.00.

Coauthored by a philosopher and a specialist in international relations, *Ethics and International Affairs* (*EAIA*) is an application of moral philosophy to issues of central importance: nuclear deterrence, arms control, intervention into the internal politics of foreign nations, the justification of war. It is not the fault of the authors, but of the tragic character of politics, that the tools of moral philosophy—homely things like dividing up biscuits or analysis of the word "lucky"—seem clumsy in the context of such fundamentally political issues.

With respect to the relation between moral philosophy and international problems, *EAIA* advances both a weak thesis—that morality is and ought to be relevant to such issues—and a strong thesis—that a particular species of normative reasoning (a form of consequentialism) ought to guide our deliberations on these matters. The weak thesis takes political realists too literally; when realists criticize "moralism" in international affairs, they do not and cannot mean that moral thought is beside the point. They mean to criticize certain forms of moral thought: deontologically defended peremptory rules, utopian moral idealism, or combinations of the two. No realist can make a nonmoral claim that foreign policy ought not be morally considered. Far from closing foreign policy to moral considerations, Reinhold Niebuhr, for example, required such policy to be tolerably just and also to be subject to "the relevance of the impossible ethical ideal." Realism should be engaged as a moral position, not as a challenge to the relevance of morals.

The stronger claim in *EAIA* is that we ought to proceed, in our moral reflection about international issues, through a modified consequentialist reasoning. Those moral intuitions that are plausible consequentialist summary rules are to be regarded as prima facie duties. Such duties are subject to override by the weight of the consequences predictably flowing from specific acts. Thus, *EAIA* proposes that we ordinarily give effect to an intuitive bar against meddling in the internal politics of foreign nations—the prima facie rule—but be ready to dissolve the bar wherever the consequences of doing so are paramount —the consequentialist override.

The proposed modified consequentialism is flawed in several respects. The authors regard "obligations" as "*prima facie* principles that might be useful in the present situation," but this is surely a thin view of obligation. At least some of our obligations are rooted in deontological rather than consequentialist perceptions; at least some obligations are extremely resistant to override. Deontologists of all sorts, as well as pacifists, Marxists, and antinuclear Greens, will be more content with the case for moralism in *EAIA* than with the case for sober consequentialism.

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HUNT, MICHAEL H. *The Making of a Special Relationship: The United States and China to 1914.* Pp. xii, 416. New York: Columbia University Press. No price.

This study is a careful and compelling analysis of the sources and nature of the Sino-American "special relationship" in the nineteenth century. Michael H. Hunt uses the latter phrase with irony, arguing that the notion of a historically benevolent association of the two nations is a myth. Sino-American relations before World War I, he contends, were essentially shaped by the unsuccessful attempts of each nation to use the other to further its own ends. Americans, including missionaries, invariably regarded the Chinese with contempt, and Chinese were often ill-informed about America. As a result, the relationship was most often characterized by disappointment, racial antagonism, and hostility.

Hunt demonstrates that an American open-door constituency of diplomats, missionaries, and merchants each faced different problems in China and so advocated sometimes widely divergent policies. Meanwhile, the government in Washington remained largely uninterested in Chinese affairs and condoned legislation based on racial hatred of Chinese immigrants. While Americans demanded that their missionaries and merchants be granted wide rights and protection in China, the infamous Bureau of Immigration, under the direction of Terrence V. Powderly, relentlessly persecuted, humiliated, and harassed Chinese in the United States.

Hunt has similarly examined Chinese officials' attempts to use the United States in its "barbarian management" and popular leaders' efforts to resist the programs of American merchants and missionaries. His analysis of the effects of the treatment of Chinese immigrants in the United States on Sino-American diplomatic relations and commercial and missionary activities in China and the interplay among Americans and between Chinese and Americans is masterful.

The history that emerges is one of mutual frustration. China never received the diplomatic support it sought in restraining the Japanese and Europeans; only a handful of American business enterprises prospered in China and missionaries had only minimal success. The policies of both nations were complex, inconsistent, and self-defeating.

Hunt's organization leaves much to be desired. Consequences of agreements often are discussed before the agreements themselves; problems are described in several widely separated places as they relate differently to the half-dozen or so groups. Readers who are not already reasonably well versed on the subject are likely to become confused.

Nevertheless, this broad and balanced study, immensely strengthened by the incorporation of an Asian perspective and based upon both Chinese and English materials, is clearly the best examination of Sino-American relations in the nineteenth century in print and is well worth the reader's effort.

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O'NEILL, WILLIAM L. *A Better World: The Great Schism—Stalinism and the American Intellectuals.* Pp. 447. New York: Simon and Schuster, 1982. $17.95.

This book deals with "the struggle among non-Communist leftists and liberals over American relations with the Soviet Union from 1939 through the 1950s," a quarrel O'Neill dates from the "red decade" of the 1930s. O'Neill's bias is clear from such statements as the following:

> A left rooted in anti-Americanism and dedicated to the interests of foreign countries, which is what we have had for most of the last half century or so, benefits no one, not even itself.... A strong left, if there is to be one, will have to be an *American* left, democratic, loyal, and with no compulsion to admire or emulate foreign tyrannies.

In other words, O'Neill wants a noncritical Left, one dedicated to stability and not to social change. In the course of his detailing of ideological exchanges in selected journals

and newspapers, he names names. His heroes include Sidney Hook, Ronald Reagan, Mary McCarthy, and Diana Trilling. His villains number such as Helen M. Lynd, Lilian Hellman, Max Lerner, and Edward G. Robinson. The former he labels "anti-Stalinists," and the latter he simplistically caricatures as "pro-Soviet." This type of thinking attributes virtue to Sidney Hook's "formula of 'Heresy yes, Treason no,' . . . as a justification for firing Communist teachers." O'Neill regards this as "an honest effort to establish the limits of dissent." He does not mention that the establishment of those limits depends upon who is doing the defining of terms, an exercise that did much to stifle heresy in American academia.

After his long disquisition, O'Neill is not impressed by the influence of the partisans he characterizes. "Both sides were led astray by faith in the power of ideas. . . . Had *The Nation,* the *New Republic, Common Sense, Partisan Review,* the *New Leader, Commentary* and all who wrote for them never existed, history would have turned out the same." So what is the point of it all? If O'Neill had focused more upon the influences of anti-Stalinists and liberals and progressives upon significant domestic issues, his book might have given a better perspective to the 1940s and 1950s. Pressing concerns of many of those O'Neill calls pro-Soviet were domestic problems of racism, sexism, poverty, and health. These issues were quite secondary or nonexistent for Hook and Reagan.

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RÁNKI, GYORGY. *Economy and Foreign Policy: The Struggle of the Great Powers for Hegemony in the Danube Valley, 1919-1939.* Pp. 224. Boulder, CO: East European Monographs, 1983. Distributed by Columbia University Press. $25.00.

With the signing in Spa on 12 May 1918 of a treaty between Germany and Austria-Hungary, providing for close economic cooperation—and possibily developing into a customs union—several decades of struggle for economic hegemony over southeastern Europe had come to an end. With the occupation of Serbia and Romania, and with the closest possible economic ties with her allies Bulgaria and Turkey, Germany had gained full hegemony over southeastern Europe, thus securing all that the great powers had been competing for since the final decades of the nineteenth century. But, as a result of World War I, Austria-Hungary had disintegrated, and neither the remnant of Austria nor the militarily, politically, and economically weakened Germany could maintain its earlier role. The question was the extent to which the hegemony devolved upon Britain, France, and Italy could be given an economic content. The collapse of Austria-Hungary left a power vacuum. The victorious powers formed a *cordon sanitaire* around Russian revolution and German imperialism by the formation of new, small national states, but they had to face the economic problems of the region.

France, Britain, and Italy competed, rather bitterly, for economic benefits in the Danubian basin. But in the first half of the 1930s, Germany, which had watched the competitive maneuvers uneasily, did not hesitate to take counteraction. Following 1936 the German economic offensive became more and more overt. This took partly conventional forms, continuing bilateral accords and their quantitative extension. The success of the German policy could be seen in the very fact that despite the changed situation, the Germans concluded new trade agreements on their former base. By 1929, on the eve of World War II, the Germans regained

not only their former position—lost as a consequence of her defeat in World War I—but "also gained much greater influence in South-Eastern Europe than ever before in modern history."

Ránki concludes his survey by stating, "The lesson and the hope for countries along the Danube may be put into the Aristotelian saying: 'The gravest injustices are never done by those in distress but by those who go to extremes.'"

Ránki's writing is never more than pedestrian; but it is adequate. The result is a serious reference book, but difficult because few people other than specialists will be able to struggle through this detailed reference analysis.

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REYNOLDS, DAVID. *The Creation of the Anglo-American Alliance 1937-41: A Study in Competitive Cooperation.* Pp. xiii, 397. Chapel Hill: University of North Carolina Press, 1981. $28.00.

It is heartening to meet an absorbing account that rings with authenticity in describing the hard realities and differing interests of Anglo-American relations in the four years before Pearl Harbor. Both states began with a gulf of mutual suspicion—Roosevelt and Hull mistrusted by the British as Wilsonians, with Chamberlain and his associates viewed in the United States as exploiters for imperial designs. Roosevelt hoped to further an eventual peace settlement. Chamberlain anticipated a short war at first, welcomed economic aid, but dreaded American involvement.

With France out and England alone, Roosevelt tried to buck up the British with fulsome talk while he only slowly developed material aid. R. A. Butler thought America wanted to take over British markets and resources. To this Cadogan added, the United Kingdom "had tried to live on bluff for too long . . . all bluffs had been called," until it was completely dependent upon the United States. Even where imperial interests far outweighed America's, as in the Far East, the latter was given the lead to later British cost when their joint underestimate of Japan boomeranged.

Churchill, after taking over and surviving pressures for a negotiated peace, still was a leader without a party. Chamberlain held the conservative leadership for another year. To rally his associates, an inwardly unsure Churchill held the hope of American entry to the war as his supreme objective in peaks and valleys through 1940-41. The lend-lease bill's passage removed for Churchill the last tentative features of his relationship with Roosevelt.

The president initially questioned Churchill's capacities, including his heavy drinking. It was only after Hopkins's crucial mission in January 1941 that Roosevelt's suspicions of Churchill's leadership and dislike for him were dispelled.

Roosevelt, like Churchill, is presented as focusing on his country's interests, determined to keep America out of war, with every move motivated to strengthen hemisphere defense and to promote England as a first defense line. The British thought he repeatedly evaded a commitment to enter the war, but he educated Congress, developed war material help, permitted military staff talks, and agreed that Nazi Germany was the prime opponent.

Suspicions of the United Kingdom were allayed into cooperation by president and public, while conversely the notion of a special Anglo-American relation grew in Churchill and his people. As personal exchanges developed, both sides discovered the strange bond of being able to dispute in the same language.

Reynolds has given his readers a rich mixture. His style is quite readable, the variety of sources exceptional, and the extensive notes have a certain flavor: for example, Mrs. Churchill claimed her husband had no concept of ordinary people's lives, had never been on a bus, and had been rescued during

his one foray on the underground. Keynes divertingly looked at the American political system.

As a frank picture of national interests and the international pressures forcing United States-United Kingdom cooperation, the book has significance. With Pearl Harbor, the two became allies in harness for the duration, and the special relationship has persisted.

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SANDERS, RALPH. *International Dynamics of Technology*. Pp. xiii, 332. Westport, CT: Greenwood Press, 1983. No price.

Technology, more than any other single factor, underlies the possibility and necessity for international relations; so Ralph Sanders believes. Time and distance have been altered by it; global communications have transformed diplomatic relations; and production, distribution, and consumption are slowly being standardized in the name of technological efficiency.

Sanders's book is about the relentless rationalization of the world that technology in its seemingly inevitable development guarantees. He offers an optimistic, straightforward assessment of the role technology has played and continues to play in the shaping of national expectations about war and peace. In warning that "very seldom do technological remedies completely cure the international patient," Sanders proposes that a "problem exchange ratio" be developed that would enable one to ask, "Are the problems that mankind faces today more or less serious after it has tried technological cures?" The search for progress rather than utopia, he asserts, will reduce the likelihood of deep disenchantment on the part of those who seek technological solutions to international problems.

In exploring the role of technology in warfare, in international development, and in foreign policy formulations, Sanders examines a broad array of materials, with special attention given to the United States and the Soviet Union. Strategies for the conduct of war in the nuclear age have changed from the earlier calls for massive retaliation to the more recent demands for strategic deterrence, realistic deterrence, and essential equivalence. The implication is that the global thrust toward equality of opportunity and condition, tied to rationalization itself, is now so ideologically pervasive that even state power is forced to submit to its principles.

The outlook for peace, as seen through the prism of the application of technology in foreign affairs is hopeful. "Nations certainly should use their modernity in ways that foster peace," Sanders prescribes. War technologies will nevertheless continue to be developed, if only to preserve images of security among nations.

To fault Sanders for his optimism would miss the point. It seems that the more systematically one is associated with the powers that be, the more positive the outlook must be about the future, if only for the sake of maintaining the commercial as well as political image of technology as a cultural good. Is it too farfetched to suggest that within the markets and corridors of power, smiles are often seen for the thinly veiled clenched teeth they conceal? Why are the two most powerful stories of dystopia filled with the progress of technology?

The lightning capacities of modern leaders to be in touch with one another these days appears to have offered little improvement to communication among them. Instead, saturated by communication in all of its technological forms, the leaders have closed out the public in more ingenious ways than ever before. As technology in its Western scientific form levels all particulars, the space between power held and power asserted grows narrower. The therapeutic spaces that technology now affords will no doubt be opened further in the names of equality and control.

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SHEN, JAMES C. H. *The U.S. and Free China: How the U.S. Sold Out Its Ally.* Pp. x, 310. Washington, DC: Acropolis Books, 1983. $14.95.

Ambassador from the Republic of China (ROC) to the United States from April 1971 to 15 December 1978, James C.H. Shen, newspaperman turned diplomat, was one of the ablest Chinese ever to fill the post. From the beginning of his appointment he had few illusions about the probable outcome of the geopolitical game the United States was playing with such lack of skill vis-à-vis the Soviet Union and the People's Republic of China. Simply by recounting without passion the events somewhat preceding, during, and immediately after his own ambassadorship, Shen presents a case history of political ineptitude on the part of the United States.

Shen's book also clarifies many areas somewhat murky in the waters of United Nations events. He describes the Republic of China's step-by-forced-step retreat from its position as founding member of the United Nations and from its membership on the Security Council. He states that, in his opinion, his own government acted with less than skill during this period. But if ROC diplomats were at times maladroit they may be forgiven, as nothing would have withstood the intention of the various U.S. administrations—starting with Richard Nixon's—to discount old treaties and make new friends of the mainland Chinese, as counters in party politics. This occurred despite the fact that our Congress and Americans in general and most of the overseas Chinese had been pro-Republic of China ever since 1954 and the signing of the Sino-American Mutual Defense Treaty.

A principal gambit of the People's Republic of China, and of their supporters in the United States, has been to deny the Republic of China its name, to call it Taiwan, the population of Taiwan, the people who live on Taiwan, and so forth. First deny its legal standing. Then take away its name.

The Republic of China has proved itself in every way open to it—with a standard of living second to none in the world, with manufacturing maturity, educational literacy, and socially viable institutions. But because the mainland Chinese, who admittedly have been going through some tough times, want to cash in on all this prosperity, we fall over ourselves to give them someone else's nation —the Republic of China—to which they have no right at all.

James Shen tells the story of the U.S. sellout of his country as it happened before his eyes. Quite clearly the role of diplomat held no glamour for him. The statesmen and public officials with whom he had to deal were simply people like himself, sometimes faithfully fulfilling their roles as public servants and sometimes playing solo games for their own glorification. In his eyes, for example, Secretary of State William Rogers was a man of honor and devotion to duty, however unaccommodating he had to be to Ambassador Shen's own mission. On the other hand, while Henry Kissinger probably saw himself as a man of destiny, James Shen had to see him as a dodger of embarrassing moments and a liar.

This book, by definition, covers only a short time in the history of our relations with the celestial kingdom, but it does what it set out to do: make impossible the falsification of this particular period. The very moderation of Ambassador Shen's account speaks for its truth. There will be no denying that the Republic of China is a nation made by its leaders and citizens into a remarkable testament to the industry and determination of the Chinese who chose Taiwan and Chiang Kai-shek rather than Mao Tse-tung and Communism. And there can be no future disclaimer by the United States that our State Department and our president, in the person of Jimmy Carter, announced the Republic of China to be a non-nation without the ROC's advice or consent and without reference to the will of the American people.

As after the American Revolution, the new American nation was English in blood and culture, so the people of the ROC are Chinese. No doubt the Republic of China will someday be united with the mainland,

though no one can predict with certainty how and when this will come about. I believe that the true leadership on Taiwan will embrace peacefully all of China. Some of my peers and many contemporary specialists discount this conviction. However, all Chinese are brothers and Chinese family ties are not to be cast aside in one or three generations. They will make up their differences. The Chinese are for the Chinese. The odd man out will be the United States, unless we deal more honestly and wisely than we have done in the Far East.

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SMITH, WOODRUFF D. *European Imperialism in the Nineteenth and Twentieth Centuries.* Pp. xii, 273. Chicago: Nelson-Hall, 1982. $20.95. Paperbound, $10.95.

Woodruff D. Smith of the University of Texas, a specialist on the German Empire, has written a general book on the European overseas empires after 1815. Beginning with a brief overview on the British, French, Dutch, Portuguese, and Spanish empires prior to the Napoleonic wars, Woodruff examines the role of economic modernization in the development of the new empires, looks again at the new imperialism after 1860, fruitfully applies the concept of the scramble for colonies not only to Africa but to the Middle East and Latin America as well, succinctly describes the colonial systems as they operated at the height of the empires, 1880-1940, and in two final chapters examines the impact of both world wars on the empires and describes the nature of decolonization. The result is, as Smith states in his preface, "a small book on a very large subject."

The book is conventional in the best sense. There are no new departures, no interpretations that depart from the received wisdom, nor is there much that can be called new research. Notes and bibliography attest to good, though highly selective, use of the standard monographs and some newer articles, including the developing literature on the history of technology. The advanced student or specialist on imperialism will not learn anything new from this book, and at times an area specialist may be moderately irritated by the easy generalizations that must by virtue of the book's size be applied to, say, Canada or India. Presumably the book is intended for undergraduate readers or those seeking a clear, competent introduction to the subject, and it fills the need for such users well. The book makes no effort to argue for or against Marxist interpretations, dependency theorists, new conservativisms, or any other group, being content to relate the facts with only the modest interpretation provided by a tone of light irony. The book is up to date with Robinson and Gallagher but appears generally unaware that those two scholars no longer are the hallmarks of the most recent interpretations. Thus the book is an ideal place for the reader who is unaware of the conventional wisdom to begin.

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AFRICA, ASIA, AND LATIN AMERICA

DULLES, JOHN W. F. *Brazilian Communism 1935-1945: Repression during World Upheaval.* Pp. ix, 289. Austin: University of Texas Press, 1983. $25.00.

In 1934 the Brazilian Communist party, following the new line of the Comintern in favor of forming a popular front against fascism, formed the Alianca Nacional Libertadora and helped to inspire rebellion against the Vargas regime, which was flirting with the fascist states. In the actual armed uprising in 1935, however, the Communists played only a minor role, and the major responsibil-

ity was borne by the discontented military. Nevertheless, the Vargas regime made the Communists—both the Stalinists and the Trotskyites—the primary scapegoat and launched against all Communist factions a reign of terror that lasted a decade and only ended in 1945 when Vargas shifted the basis of his support to the left and allied with the Communists.

This volume is a detailed chronology of what happened to the Communists, both Stalinists and Trotskyites, during this period. For hundreds of individual Communists, Dulles has recorded their arrest, torture, and imprisonment. For these same Communists and those who managed to stay out of prison he has recorded their frequent squabbles and factional differences. Such a detailed accounting of these individual events and splits is given that the overall picture of the role played by the Communists in Brazil is lost. Even though Dulles had access to some valuable sources, without some analysis and sorting out of the significant events and disputes the reader is unable to understand how the reign of terror fit into the policies and events of the Vargas regime, how the Communist parties were able to survive, and why Vargas decided in 1945 to end the terror and to befriend the Communist party of Brazil. Through the comings and goings of hundreds of Communists, the reader gets only a vague impression that the anti-Communist terror seems to have been effective and that the parties and factions were minor little groupings of intellectuals and some students that were divided and that attracted only limited sympathy among the masses of the population.

So why did Vargas decide to end the persecution and conclude that the Communists could be a useful ally in 1945? What did he expect to gain from the Communists domestically or hope to gain from the world Communist movement? The crucial questions about the role of the Communist movements in Brazil are not to be found in this volume. Except for those few who want to know the fate of individual Communists in this period, this study has little to offer the social scientist or historian.

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FAWAZ, LEILA TARAZI. *Merchants and Migrants in Nineteenth-Century Beirut.* Pp. x, 182. Cambridge, MA: Harvard University Press, 1983. $20.00.

Since 1975 the world has grown accustomed to news of fresh violence in Beirut, not to mention Lebanon as a whole. Although the terrifying and unpredictable course of events has been influenced as much by regional and international forces as by conflicting indigenous groups, it has been tempting to emphasize sectarian conflict and to search Lebanon's past for further evidence of it.

Fortunately both for historians of the Middle East and for interested nonspecialists, Leila Fawaz's study provides a readable and sophisticated treatment of a complex historical process. Echoes of current conflict are there, to be sure, but they are only part of a much larger story: a town of 7000 in 1800, Beirut became a metropolis of some 175,000 by 1920, the principal commercial link between Europe, the eastern Mediterranean coast, and the interior hinterland of Mount Lebanon and what is now Syria. Fawaz analyzes the complex links between Beirut's rapid demographic growth, its increasingly diverse economic functions, concomitant social changes—particularly the increased dominance of Christians in the city's population and economy, the activities of foreign and local entrepreneurs, and the political tensions—taking increasingly sectarian form—arising from the breakup of the Ottoman Empire and correspondingly enhanced Western influence. Fawaz concludes that although Beirut merchants of different sects shared economic interests and even patterns of social behavior, the poorer classes of the city, particularly migrants from Mount Leb-

anon and the interior, followed different paths of social and economic development, leading to "an uneven distribution of wealth between the communities" that "impeded the formation of a fully integrated urban community."

Drawing on European consular reports, Egyptian and Lebanese archival materials, private family and commercial papers, personal interviews, and the standard local histories and Western observers, Fawaz does a splendid job of reconstructing the demographic pattern that bulks so large in her story, despite the fact that no precise statistics are available for the entire period.

For most readers this book will stimulate further thought about perhaps the central question of modern Lebanese history once posed by an academic who is now Lebanon's foreign minister: "If a Lebanese will not sleep until he can make a business deal, why can't he exert the same effort toward building an integrated nation?" Fawaz's story of merchants and migrants suggests that both efforts are possible if the Lebanese are given, and give themselves, the chance.

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GARDNER, JOHN. *Chinese Politics and the Succession to Mao.* Pp. x, 217. New York: Holmes and Meyer, 1982. $22.50. Paperbound, $12.50.

GLADUE, E. TED. *China's Perception of Global Politics.* Pp. xi, 246. Washington, DC: University Press of America, 1982. $23.50. Paperbound, $11.50.

MARTIN, HELMUT. *Cult and Canon: The Origins and Development of State Maoism.* Pp. xi, 233. Armonk, NY: M. E. Sharpe, 1982. $37.50.

The closed nature of the decision-making process in the Peoples' Republic of China (PRC) has challenged the social scientist from the very inception of the new state in 1949. We have been hobbled by our difficulties in determining the extent to which policies have been influenced by personalities, political power relationships, aspects of Chinese culture, or a variety of other forces. The authors of these books recognize the problem. One describes the Chinese leadership as "one of the most secretive in the world," while another must deal with constant revisions of official texts for political purposes and says of the Third Plenum of the Eleventh Party Congress that for the most part the actual course of events there were not divulged and "indeed, there was little indication of who had what to say on which topics." Each of these books addresses a different aspect of this challenge as they seek to progress past the largely discredited approach of Kremlinology.

John Gardner, a senior lecturer in government at the University of Manchester, faces the admittedly very difficult problem of succession in a communist state. He recognizes the limitations in sources and writes on the basis of official materials and frequent trips to the PRC. The result is a highly readable account geared to undergraduates but useful for the generally informed public. Gardner follows the path of succession for the rise and fall of Mao Zedong's apparent successor, Liu Shaogi, to mid-1981. In the process he attempts to clarify the seemingly Byzantine politics of China through the humiliating demise of Liu, the rise of Lin Biao and his mysterious and dramatic abortive flight to the Soviet Union, the return of Deng Xiaoping from his disgrace during the Cultural Revolution, the temporary leadership of Hua Guofeng, the arrest and trial of the Gang of Four, the short-lived Democracy Movement, and the ultimate triumph, at least for now, of Deng.

In the process of his analysis, Gardner is generally and properly cautious in his assessments, although he is forced to read more into events than the evidence often permits, given the paucity of data on many key discussions. He is tentatively optimistic that the PRC is becoming more institutional-

ized and open in its politics, thus allowing the outside observer a better understanding of the system's workings. This book is to be recommended to those seeking a clear review of contemporary PRC politics.

E. Ted Gladue, Jr., a United Nations consultant with the Ralph Bunche Institute, attempts to bring together his professional experiences from academia, the United Nations, and trips to China. The conceptual foundation for this analysis of the PRC's patterns of international decision making is based upon understanding the relationship of policy to perceptions the Chinese have from their history, language, and "unique Chinese cognition." Gladue first explains the concept of perception theory and then investigates PRC perceptions and policies regarding disarmament, decolonization, the law of the sea, and economic development. He concludes by employing psychodynamic theory in a review of global politics. The individual chapters are useful in defining and clarifying PRC actions on the four issues covered, and the use of case studies is particularly illuminating. The evidence is not always clear as to how the perceptions of the Chinese relate to particular policies, although the author's emphasis on the necessity of taking perceptions into account in analyzing foreign policy is of obvious importance. The book is infrequently marred by small factual errors such as equating the Buddist (sic) *sangha* with the *umma* of Islam.

Helmut Martin, professor of Chinese language and literature at Ruhr University, Bochum, and director of the Institute of Arabic, Chinese, and Japanese in Bochum, investigates an area more amenable to analysis: the development and decline of state Maoism. Thus he largely eschews any detailed analysis of domestic political activities and concentrates on the manner in which the dogma of state Maoism was first reinforced and then slowly and painfully dismembered. The bulk of the book deals with difficulties faced by Mao's successors in "Post-Mao Dedogmatization" and "De-Maoization" after his death. There is also a short final chapter on personality cults in neighboring Vietnam, the Soviet Union, and North Korea, and there is a lengthy appendix providing a resolution of the South Plenum of the Eleventh Central Committee of the Chinese Communist Party, detailing the history of the party from its founding in 1921 to 1981.

What makes this an interesting and useful addition to our understanding of the PRC is Martin's emphasis on the evolution of ideology as illuminated by his familiarity with Mao's works and the nuances of change over time. His sections on political editing and the problems encountered in desanctifying Mao are particularly helpful. This would be a good supplemental book for courses on China or political ideology, although its high cost would limit its appeal as a text.

Each of these books seeks to penetrate the seeming enigma of Chinese decision making and each makes a contribution. Yet, while we have certainly made major advances since the days of obscurant Kremlinology, the reader is not quite secure in the face of necessary reliance on official pronouncements, assumptions as to personal or group motives, infrequent if tantalizing glimpses into the inner workings of the system, and other sources available to the professional observer of China.

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HINTON, WILLIAM. *Shenfan: The Continuing Revolution in a Chinese Village*. Pp. xxxix, 785. New York: Random House, 1983. $25.00.

William Hinton's new book is a complex, troubling sequel to his earlier work *Fanshen* —the record of revolution through and reform in one Chinese village in 1948. In this work Hinton takes the story up to 1971—a far more ambitious effort than the previous one. The result is a massive, at times confusing, but always interesting, account of what went wrong with the Chinese revolution from 1949 through 1971.

In this book, as in the previous one, the narrative is exceptionally lively, with a fine sense of the language, the hopes, lies, songs, and sayings that punctuate the daily lives of the peasants of Long Bow village. Even if at times Hinton tends to overdramatize or overcondense history for the sake of narrative appeal, the reader can still enjoy and learn from his skillfully drawn vignettes. Through and behind the stories about such local characters as security chief All-mere Li, petty warlord of Evergreen Liu, and bandit chief Old-Dare Yang, Hinton retells all the major events since the founding of the People's Republic, including the Great Leap Forward, the movement to learn from Tachai, and the Cultural Revolution. This feat of analysis through description is quite unrivaled in the episodic narrative of Jan Myrdal, the Swedish anthropologist who has also been focusing on one Chinese village over the last few decades. Myrdal does not have Hinton's ear for local speech nor his range of contacts at the higher levels of the Chinese political power structure.

Hinton's book, precisely because of his intense and prolonged involvement with the fate of "his" village, is hardly an objective report. Instead, the point of view of the narrator is constantly, honestly, and effectively held in the foreground. Unwilling to rest with the current regime's interpretation of the ten-lost-years theory of what went wrong with the Chinese revolution, Hinton uses Long Bow as a masterful case study of how old feudal China and Mao Zedong collaborate, often unintentionally, to wreak havoc in the lives of the masses of ordinary people.

The havoc is described here in all of its grim details. Mutual supervision, characteristic of Chinese village life, long before the Communist takeover has evolved into mutual spying and an officially sanctioned policy of suspect all, suspend all. During the Cultural Revolution—a gory epic that takes up more than half of this book—accusations escalated into beatings, beatings into armed battle, and thus death came to the door of Long Bow village.

False charges, frame-ups, and petty rivalries fill the pages of this often repetitive account of the disaster that came to the Chinese countryside. The blame, according to Hinton, falls evenly on the shoulders of Mao Zedong and the feudal mentality he tried to reform. This interpretation makes Hinton's book quite balanced in the current wave of negative accounts of China under Communist rule—foremost among them that of *New York Times* correspondent, Fox Butterfield, *Alive in the Bitter Sea,* and Steven Mosher's *Broken Earth.* This is not a wholesale indictment of communism as such, but a patient and conscientious reconstruction of how Mao's directives were misinterpreted and subverted on the local level.

Hinton does hold Mao responsible for focusing single-mindedly on the character assassination of individual opponents such as Liu Shao-chi—a pattern of petty warfare imitated in deathly detail all across China. Furthermore, Hinton argues that the chairman himself committed the most fundamental error of political judgment of the past 30 years: calling "bourgeois" all deviations from his own line. By launching class struggle against falsely construed enemies, Mao unleashed the worst tendencies of old, imperial China.

This line of argument, richly documented, makes Hinton's book a major contribution to the ongoing debate in China, and abroad, as to the causes of the rapid, early success and prolonged stalemate of the Chinese revolution. With its fine illustrations and handsome design, this is a book that will interest general readers beyond the small group of China watchers.

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HSU, IMMANUEL C.Y. *China without Mao: The Search for a New Order*. Pp. xii, 212. Oxford: Oxford University Press, 1982. $19.95. Paperbound, $7.95.

This short, attractive book traces the momentous political and economic changes that followed the death of Mao Zedong in 1976. Included are the Gang of Four's bid for power, the Deng Xiaoping group's countercoup, the easing out of Hua Guofeng, and the trial and conviction of Madame Mao and her coconspirators.

The new pragmatic leadership of Vice-Chairman Deng, Chairman Hu Yaobang, and Premier Zhao Ziyang is introduced, with photos. Hsu—professor of history at the University of California, Santa Barbara—summarizes the steps they took to "put economics in command," including promoting science and technology, liberalizing commercial, agricultural, and industrial policy, normalizing relations with the United States, and generally opening the country to Western innovations and capital.

In light of the new moderation, the errors of Mao and Maoism are obvious: international isolation, social instability, economic adventurism, cultural stultification, and political absolution. Hsu concludes that "Mao was supremely successful as a revolutionary but extremely erratic as a nation builder."

By contrast, Hsu finds the current leaders and their policies sensible and promising. In spite of the poverty and misallocation of resources characterizing China at the end of the Mao era, China could become successfully modernized by 2030, Hsu believes, if the present pragmatism prevails.

Will it? Hsu gives little attention to political opposition and leaves the impression that the dismantling of Maoism and the introduction of the new order was unanimously accepted once Madam Mao and the Lin Biao Group were jailed. But the slogan, "The two ends are hot and the middle is cold," reminds us that the party bureaucracy, and most of the recruits to various agencies during the decade 1966-76, were socialized by Maoism and may harbor doubts about the new policies, not least because their careers may be blemished. We need to know more about these people.

Hsu does acknowledge that rapid modernization creates new problems: unemployment, privileged classes, urban-rural disparities, higher spending, higher taxes, inflation, and tensions between productive units—particularly those dealing with the West—and state commercial directorates. More broadly, the pragmatists must resolve the debate between "foreign value and Chinese essence"—which goes back to the Qing dynasty—and restore the confidence of millions of producers and administrators in their ability to strike the proper balance in their day-to-day decisions.

This daunting intellectual and cultural adaptation, and how the resulting political and administrative tensions are manifested, rationalized, and resolved, deserve closer attention. This is necessary in order to caution the casual observer that China is neither adopting capitalism nor aligning politically with the West. China remains resolutely Chinese.

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SERAGELDIN, ISMAIL, JAMES A. SOCKNAT, STACE BIRKS, BOB LI, and CLIVE A. SINCLAIR. *Manpower and International Labor Migration in the Middle East and North Africa*. Pp. xi, 138. New York: Oxford University Press, 1983. No price.

This volume summarizes the results of an ambitious study on labor migration in the Arab world recently completed by the World Bank. It is especially useful as a compendium of the welfare issues confronting both the labor importing and exporting states. The list of macro- and microeconomic problems is comprehensive, and the accompanying discussions are crisp. It is regrettable that there is no bibliography, but a good reading list can be assembled from the footnotes.

The authors also submit their projection of labor supply and demand in the affected countries in 1985. These projections were made using highly disaggregated and sophisticated manpower and migration models, described in an appendix, and indicate that dependence on foreign labor will continue to grow in the labor-importing countries. The presentation of these projections leaves much to be desired, however. Text tables are so exhaustive that they impede rather than expedite the flow of the text, and their mechanical enumeration of details leaves the reader suspecting that an analytical cannon, in the form of the previously mentioned models, may have turned on the proverbial flea. Economy of presentation, coupled with illustrative graphs and charts, would have made this a more effective book.

The forecasts themselves probably overstate somewhat the magnitude of dependence on imported labor. I, for instance, would have lowered the assumed low range of growth in the capital surplus oil countries from 8-9 percent per year to 5-6 percent per year. Labor demand in the exporting countries may also be overestimated here; in World Bank tradition, the assumed activity growth rates in the non-oil and high-absorbing oil states are at the upper bound of conventional opinion. The researchers' conclusions are, however, qualitatively sound, and their discussion of policy options is incisive.

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SHIEVERS, SHARON L. *Flowers in Salt: The Beginnings of Feminist Consciousness in Modern Japan.* Pp. 195. Stanford, CA: Stanford University Press, 1983. $22.50.

BERNSTEIN, GAIL LEE. *Haruko's World: A Japanese Farm Woman and Her Community.* Pp. 199. Stanford, CA: Stanford University Press, 1983. $19.50.

These two recent books on Japanese women at first glance do not have much in common. While one deals with the history of incipient feminist movements in Japan between 1880 and 1920, the other is concerned with a life of a contemporary farming woman. Data and methods used to analyze the data are also different, one being written by a historian and the other by an anthropologist. Despite these apparent differences, however, *Flowers in Salt* and *Haruko's World* share a common concern with the role of women in a rapidly changing society, the former during the period of technological change and modernization, the latter during the postwar organization and mechanization of farming.

Flowers in Salt traces the development of feminist consciousness in relation to the major political and social movements of the period, for example, the popular-rights movement of the 1880s and the socialist movement of the 1900s. Shievers concentrates on several notable feminists, but is also careful to place them in context. Some of the women are well known, while others are relatively unfamiliar; they all seem to share the common experience of personal suffering during their youth and a strong desire for independence. There is also a chapter on female textile workers and their protests, through boycotts and strikes, against exploitative employers. We see that these early feminist movements were characterized by two stages: first, a struggle for political and economic independence; and second, an additional demand for psychological and emotional independence.

Shievers is interested in assessing the early women's movements in Japan as part of the general comparative history of women. Documenting the Meiji government's poli-

cies of denying women political rights and its attempts to mold women as "good wife and wise mother," she argues that modernization does not necessarily bring about independence for women but instead may perpetuate their traditional roles. She adopts a Western notion of women's liberation in reviewing the early feminist movements in Japan. Identifying the government as oppressive, she not only takes the oppression of women for granted, but also implies a universal need for economic and political freedom for women.

In *Haruko's World,* women's liberation is not a central issue and receives incidental treatment. The book presents a personal account of a life of a 42-year-old rural Japanese woman, Haruko. Part 1 begins with Bernstein's arrival at the hamlet of Bessho in Shikoku, the smallest of the four major islands of Japan. Bernstein provides a valuable and vivid account of her first days with her hosts, the Utsunomiya family, with whom she lived for six months. The heroine, Haruko Utsunomiya, immediately took it upon herself to serve as Bernstein's instructor in the local culture, especially in proper manners. Bernstein recounts a number of potentially difficult and unpleasant incidents, conflicts, misunderstandings, and so forth with a sense of balance and humor. She is honest and frank in her description, but is also sympathetic and understanding.

Part 2 focuses on Haruko and her family, their work routine, their concerns and plans, and their attitudes and values. Part 3 extends the scope to include the community at large. The book's major contribution lies in its presentation of contemporary rural Japanese society from the women's perspective. Bernstein describes how women have come to shoulder an increasing amount of responsibility in family farming as more opportunities for outside wage employment open up for men. We learn that, indeed, Japanese men and women inhabit two separate worlds, public and domestic.

Bernstein suggests that rural women in Japan are increasingly adopting an urban middle-class ideal of staying at home and taking care of home and family—of being just a housewife. She further points out that, given cultural differences in expectations and ideals of the female role, one needs to "place all social movements in both a cultural and historical context," implying that the Western notion of women's liberation may or may not be applicable to a particular culture. Contrary to Shievers's view of a universal need for women's liberation, Bernstein's view is relativistic, in keeping with an anthropological tradition.

The implication that Japanese women do not need or desire a kind of independence that American women demand and that Japanese women wish nothing but being a housewife is a little disturbing. It is just possible that the middle-class ideal, so widely promoted by the mass media, may also be propaganda from the male-dominated society to keep women in their place, just like the Meiji government's assignment of the roles of good wife and wise mother to women in the civil code of 1898.

A Japanese rural woman today is making a large economic contribution to her family's budget as both a farmer and a part-time manual laborer or factory worker. Their growing financial importance, however, has not led to a rise in their status. As Bernstein perceptively observes, farming, especially for household consumption only, is not regarded as proper work. Only outside wage employment is considered so. Thus we must be careful to examine a cultural definition of "work" in discussing women's status. Shievers also points out that work outside home does not necessarily mean economic independence for women, when the women's wage is seen only as part of the income of the family where they have a low status. The relationship between work and economic power is thus a complex one, to be understood in a particular historical and cultural context, and especially in relation to the family.

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TUCKER, NANCY BERNKOPF. *Patterns in the Dust: Chinese-American Relations and the Recognition Controversy 1949-1950.* Pp. x, 397. New York: Columbia University Press, 1983. $35.00. Paperbound, $15.00.

Nancy Bernkopf Tucker states in her foreword that she will "trace here the patterns in the dust of China's fall—to see what officials thought they saw and what they might do." This statement explains the title and puts forth her objectives.

Serious China scholars have had a basic awareness of the Acheson/Truman dilemma about and orientation toward China during those pre-Korean War days, but this study fills in the detail and provides excellent perspective. Tucker has reviewed all the major input sources—State Department, military, the China lobby, China hands and missionaries, the business community, Congress, the academic community, allies, and the general public. They are all included and assessed in a masterful way.

Recent access to State Department and other government documents for the 1940s has permitted Tucker's in-depth research of this topic. She almost captures the daily thought processes of key individuals as they cautiously moved to accept and accommodate the realities of a corrupt and losing government under Chiang Kai-shek and the seemingly popular and increasingly victorious Communist Chinese Party (CCP) and government. Tucker shows that a decision to recognize the CCP, after the Nationalist Party of China and Taiwan fell, had been made at the top levels of U.S. government. It was a decision that was not to be consummated.

The single catalyst that threw the entire situation into stalemate—and introduced 25 years of U.S. nonrecognition of the most populated nation in the world—was the invasion of South Korea by the North Koreans. This incident polarized the world and let loose in America a veritable Pandora's box of pent-up fears and frustrations in the form of McCarthyism, witch hunts in and out of government, and fear and distrust at all levels of government. If Russia was astute enough to counter potential Chinese coziness toward the United States by the Korean move, they were very successful. However, one suspects that such sophistication did not exist in Russian strategy, but that a simple effort to consolidate friendly powers on the border was their main intent.

The study was well written and extremely well researched and presented, and yet does not pretend to go beyond its limitations in time and issue. Tucker is to be commended on her work.

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ATKINSON, DOROTHY. *The End of the Russian Land Commune, 1905-1930.* Pp. xii, 457. Stanford, CA: Stanford University Press, 1983. $27.50.

Atkinson teaches Russian history at Stanford University and heads the American Association for the Advancement of Slavic Studies. She has written on women in Russia and on rural questions. The current work appears to be a revision of her doctoral thesis (Stanford, 1971).

Rather than focusing intensively on the peasant commune, Atkinson has used it to structure a survey of the political and economic developments culminating in the forced collectivization of the Russian countryside in 1929. After an introductory section, the book is divided into parts dealing with the revolution of 1905 and its aftermath; the revolution of 1917; the period of War Communism, 1918-1921; and the era of the New Economic Policy, which lasted from 1921 until the onslaught of collectivization in 1929.

Government support of the peasant land commune, characterized by periodic land

redistributions, lasted until the peasant movements of 1905. Thereafter the policy was to encourage the stronger peasants to leave the commune. This weakening was offset to some degree by the departure of many poor peasants.

Lenin did not believe that the peasant commune was a harmonious social body. He saw it, rather, as a hotbed of social differentiation. Nevertheless, he was ready and willing to encourage the peasants to seize gentry lands and redistribute them in egalitarian fashion because it would allow the proletariat to achieve political power. His approach tended to make him overestimate the actual degree of social differentiation and to overrate the amount of support the Bolsheviks might expect to receive from the poorer peasants.

In the late 1920s the dominant faction within the Bolshevik party magnified this error and built up the image of the better-off peasants, the kulaks, as the real masters of the commune and countryside, who were sabotaging the Bolshevik industrialization plans. Stalin, who was most guilty in this regard, was nonetheless able, during the grain procurement crises of 1928 and 1929, to combine new legislation with naked force to maneuver the commune itself into participating in the rapacious grain requisition campaigns. These were eventually transformed into the collectivization drive that ended the historic role of the commune.

Atkinson has read widely in the secondary sources and is able to reduce complex discussions to manageable proportions. Lecturers and students will draw heavily on her work. It has the makings of a campus staple. Its weakness is that it does not go deeply enough into the inner history of the commune. An intensive, pluridisciplinary study of the commune at the local level would be very valuable. If Atkinson can find the source material to carry it out, we will be in her debt.

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BOSWORTH, RICHARD. *The Making of the Twentieth Century: Italy and the Approach of the First World War.* Pp. viii, 174. New York: St. Martin's Press, 1983. No price.

The "kangaroo" has done it again. Richard Bosworth, senior lecturer in European history at the University of Sidney—the "kangaroo" among scholars of modern Italian history, as one reviewer has called him—has produced an admirable synthesis in his *Italy and the Approach of the First World War.* Unfortunately, in this work as in his earlier *Italy, the Least of the Great Powers* (Cambridge, 1970) Bosworth has repeated the marring of his fine scholarship with supercilious asides about Italy's inferiority as a nation and the immorality of her foreign policy.

In *Italy and the Approach of the Great War,* written for St. Martin's Press's excellent "Making of the Twentieth Century Series," Bosworth demonstrates a sure command of sources and historiography, and a good eye for the telling quote. This "curious and recalcitrant lover of Italy," as he claims his Anglo-Saxon friends call him, also proves to be somewhat more even-tempered than in his earlier book. Nevertheless, we are still treated to comments such as "pre-1914 Italian foreign policy was equivocal and even tortuous . . . it seems so dishonest and absurd"; and "in imitation of her betters, or, rather, those with more power" Italy sought to forget social crises at home.

For an overview of liberal Italy's social and economic background, followed by a focus on foreign affairs, Bosworth's concise—140 pages of text—work has much to recommend it. His basic premise is that Italian foreign policy was based on myth. Italy was not a great power, but she had to act like one. This was part of the logic of the Risorgimento. Like Austria-Hungary, Bosworth writes, Italy existed in order to have a foreign policy, in order to be a great power. If she acted otherwise, Italian unification might have come unraveled. In specific chapters, Bosworth discusses the mechanism of foreign policymaking. He argues that it was

firmly in the hands of the prime minister. Unlike Germany, foreign policymaking in Italy was not much influenced by domestic interest groups. The "primacy of external politics" generally prevailed. Italy contributed very little to the "July crisis" that deteriorated into World War I. Mainly she served as an "irritant." Bosworth concludes that Italy did not "slither and slide" into the conflict. The decision to intervene was a conscious one. Given the premise that Italy had to act like a great power, she had no choice but to join the fray.

Bosworth's premise and attitudes leave the reader with some awkward questions. Why pick on Italy? Are not all foreign policies to a large degree based on myth? Foreign relations are, in good part, posturing—fortunately so. Myths and bluff often help a nation achieve its foreign policy goals far more cheaply than war. Moreover, a number of the great powers had their bluffs called during World War 1 and collapsed. Austria-Hungary and Russia disintegrated; Italy did not. Perhaps behind the myth and bluff of liberal Italy was more substance than was commonly supposed. Finally, to wish, at least by implication, that Italy during the period had behaved other than as a great power seems pointlessly ahistorical. We might wish, say, that Austria-Hungary too had realized how little substance lay behind her great-power status and had behaved accordingly. Had she done so, she too might have spared her citizens from having their lives "severely affected" by the myth of being a great power. Bosworth opens his book with a chapter entitled "Liberal Italy: Myths and Reality," in which he discusses "tourist musings" about Italy's inferiority—musings that sometimes "hardened into racial theoretics." From time to time, Bosworth himself falls victim to the myths he writes about. These lapses mar what is otherwise an attractive, concise synthesis of Italy's foreign policy during the Giolittian era.

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FORTESCUE, WILLIAM. *Alphonse de Lamartine: A Political Biography.* Pp. 296. New York: St. Martin's Press, 1983. $29.95.

In 1981 Gordon Wright published a brilliant little book entitled *Insiders and Outliers: The Individual in History.* It contains a 20-page chapter on Lamartine, "A Poet in Politics: Or How Revolutions Devour Their Children," which offers an elegant and sometimes more perceptive synthesis of what is argued in massive detail in Fortescue's biography. Readers interested in the political engagement of intellectuals might well turn first to Gordon Wright, whom Fortescue, despite his 1082 footnotes for 225 pages of text, does not cite.

Because it is the first full-length biography of Lamartine to be published in English since 1918, Fortescue's work belongs in college and university libraries. His study of this quintessentially romantic figure is clear, straightforward, well written and thoroughly researched. Details abound; precise travel itineraries and even lists of dinner guests are often provided. One could argue that since this is a political, and not a psychoanalytical, biography too much attention is paid to Lamartine's extraordinary sexual promiscuity, beginning with his fathering an illegitimate son while still a *lycée* student.

Questions may be raised about a scholar's objectivity when he devotes a good proportion of his professional career—Fortescue completed his Ph.D. thesis on Lamartine a decade ago, in 1973—to the study of an individual whom he more or less cordially detests. Fortescue's generally hostile feelings toward his subject provide a leitmotif for this work. To take one example from a great many, Fortescue notes in discussing an anglophobic text Lamartine wrote in 1825 that it was done "with his customary hypocrisy."

Fortescue does struggle against this powerful negative bias and in general succeeds in presenting a balanced portrayal of a complex and fascinating engaged intellectual. Lamartine's keen awareness of the importance of publicity is meticulously documented, and the young poet emerges as a

manipulative and self-centered individual without firm moral grounding. As Lamartine moves toward liberalism and active political involvement in the 1830s, Fortescue is much more favorably disposed toward him. It would be hard to improve upon his account of Lamartine's period of real political power, February-June 1848.

Fortescue praises Lamartine, who "eloquently and effectively opposed radicalism" while trying to convince the radicals to unite with the moderates. A separate chapter is devoted to Lamartine's term as minister of foreign affairs for the nascent Second Republic. During this period of dramatic revolutionary upheaval, Lamartine struggled heroically, and at great personal risk, to be a peacemaker, "continually labouring to achieve a general reconciliation." As is well known, he failed, and after the bloody June Days of 1848, his reputation plummeted. In the December 1848 presidential election he received approximately 99 percent fewer votes than he had in the April 1848 National Assembly elections, when he was far ahead of every other candidate. Perhaps no important political figure in history has risen and fallen quite so swiftly, and for this reason alone Lamartine would remain an intriguing case study, even if he were not also a bundle of social, moral, psychological, and intellectual contradictions. If Lamartine does not quite have the biography he deserves, Fortescue's work will suffice for this generation of English-speaking readers.

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HITCHENS, MARYLYNN GIROUX. *Germany, Russia, and the Balkans: Prelude to the Nazi-Soviet Non-Agression Pact.* Pp. viii, 350. Boulder, CO: East European Monographs, 1983. Distributed by Columbia University Press. $27.50.

This monograph tries to answer the question of whether or not the southeastern European states were important in driving the Non-Aggression Pact between Germany and Soviet Russia to its culmination. Hitchens concludes that

> the Balkans were not lost to the West because of the Nazi-Soviet Pact. Rather, they were lost because the power, not the will, of the West to defend them against both Germany and the Soviet Union was lacking, and because, given that circumstance, the national hope of survival for the Balkans rested in the benevolent neutrality toward the power which most immediately threatened it. Underlying this was the force of nationalism. . . . The Nazi-Soviet Pact, in placing Balkan neutrality above Balkan empire, bowed to the force of Balkan nationalism which could have destroyed the aims of both and led to a Nazi-Soviet war (p. 269).

Hitchens's research led her to investigate a field limited by the materials available and by the number of facets of the topic that can be logically accounted for at one time. In the case of materials, while the archives of Yugoslavia are partly accessible for the period of 1939 and some native historians have been admitted to the Romanian archives, the Greek, Turkish, Bulgarian, and Russian archives are not generally accessible. Limited but useful were the U.S. archives. Published documents by the Germans, Americans, and British were directly accessible and used, while the Italian documents were broached through a secondary medium. The Greek, Polish, and German *White Books* and the French *Yellow Book,* due to the selective nature of their contents, were only partially useful. Beyond these primary records, there is a wealth of secondary materials.

Hitchens follows the organic development of the three threads of the theme; Germany, Russia, and the Balkans are drawn into the picture as their importance brings them to the forefront. German dominance in the area came first. This was followed by a resurgence of Balkan activity due to the reintroduction of the West resulting from British and French guarantees. Finally, the Soviet Union is brought to the center stage as Moscow

became the key to the balance of power and fate of the Balkans.

In general, the emphasis is almost entirely on diplomatic history; social, economic, and political history, when bearing on the events of the period, are taken into account only when they influence diplomacy. Since the theme is basically a diplomatic one, the approach could stand more stress on the geopolitical aspects of that portion of Balkan history. At any rate, this book is a job well done. It is an important and valuable achievement—one that can help us with the work of heaving ourselves into Balkan history.

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JUPP, JAMES. *The Radical Left in Britain, 1931-1941*. Pp. 261. London: Cass; Totowa, NJ: Biblio Distribution Centre, 1982. $30.00.

A question pertinent to the 1930s as well as the 1980s is why the radical left failed, despite high unemployment, to gain wide adherence and win at the polls. While reasons for failure now can be found in the welfare state's alleviation of distress and Conservative gains in the recent election from the Falkland Islands crisis—which polls showed left 90 percent of the population prouder to be British—they are not as easy to understand as they were 50 years ago when suffering was unrelieved and foreign successes absent. It is this conundrum that Jupp attempts to resolve.

The book's first part is a clear but uninspiring chronology of the Left's early attempts to gain electoral victories or preponderant influence in the Labour party. After the collapse of the Labour government in 1931, which left many workers disillusioned with traditional politics, and with the rise of fascism on the continent, which was an immediately recognized threat, the time seemed opportune for radical influences to become dominant. The decline of the Independent Labour party, the previous Left wing of the main body, enabled the Communist party gradually to gain influence among intellectuals and workers, particularly in London. Through organizations such as the Left Book Club, which at its height had more than 50,000 members, it reached a wide segment of the British public. Yet it failed to win elections. The Labour party feared admitting a Trojan horse, practical-minded trade unionists rejected Left slogans, and the Communist party's twisting and turning to follow Moscow's policies concerning the war discouraged even fervent adherents.

Jupp acknowledges these failings, but his chapters on ideology and its contemporary impact leave no doubt that he considers the 1930s to have been a tactical defeat that was resolved through strategic victory in the 1970s. Despite squabbles and disagreements, he believes that the Left evolved a consistent thread of belief, a coherent philosophy, and a Marxist system of thought that acted as a unifying force throughout the 1930s. These concepts penetrated academic and Labour party circles and made Marxist ideology an important part of the British political debate. By the 1970s Marxists and Communists had gained positions of importance in academic life and half the seats on the Labour party's National Executive. The New Left adopted many ideas, even slogans and policies, that had been popular 40 years before. The heritage of the Left Book Club can still be seen in the network of stores specializing in the literature of the Left and in debates on such topics as whether the Labour party is the proper means of achieving socialism. Still, Jupp concludes, the movement remains one of protest and criticism that has never been able to motivate large sections of the public and, one might add, as the recent elections show, seems unlikely to do so now.

Jupp is reacting in part against other aspects of the historiography of the British labor movement and in particular against Ben Pimlott, whose scholarly and stimulating *Labour and the Left in the 1930s* (1977) claimed that radicals had no lasting influence. He is also responding to historians who accuse the Communist party of staging a

"Stalinist betrayal" of labor in the 1930s, for he claims instead that there has never been support for radical Left candidates in British history. The book seems almost less useful as history than as a guide to the origins and beliefs of some current British labor leaders. In its explanation and claims of what some might regard as an exaggerated place for Marxism in British thought, it might almost be regarded as part of the ideological heritage it describes.

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MAYNE, RICHARD. *Postwar: The Dawn of Today's Europe*. Pp. 366. New York: Schocken Books, 1983. No price.

The author of this remarkable book worked for many years as an associate of Jean Monnet and Walter Hallstein as a senior official of the European Economic Community. He is also a highly regarded film and book critic. The book opens on VE Day in 1945 and ends with the establishment of the European Economic Community in 1957. The reader has a front seat at the major events of these crucial years—the Nuremberg trials; the Marshall Plan; the Berlin blockade and airlift; the Soviet explosion of an atomic bomb, and the extent of Soviet espionage; the throes of decolonization, from India to Indochina; and the dawning of the European Community.

Giordano Cavestro, shot by the Fascists 4 May 1944, spoke for all his Resistance colleagues when he declared on that last day, "The great beacon of freedom will arise upon our graves." The task of the survivors, writes Mayne, "was to honor that pledge." How they tried, and how far they succeeded, is the subject of this book: how in 13 years they built postwar Europe—"the chequered, tarnished, but still hopeful Europe that we know today." We relive, in this book, not only the political and economic developments of the period, but also the literature, the films, the art. We meet Jan Masaryk, victim of the Soviet-Communist coup in Czechoslovakia; Ludwig Erhard, father of Germany's economic miracle; Boris Pasternak, who emerged from the cultural thaw in the USSR to win the Nobel Prize; Christopher Dior, whose New Look reestablished Paris overnight as the world's fashion capital; and, of course, Jean Monnet, canny architect of European economic integration.

In 1943 Winston Churchill proposed a council of Europe. In the same year René Mayer suggested to General de Gaulle an economic federation of Europe. In 1944 Belgium, the Netherlands, and Luxembourg signed the Benelux Convention. Pope Pius XII envisaged a close union of Germany, France, Italy, Spain, Belgium, and Portugal. The ideal of a united Europe was supported by statesmen like Paul-Henri Spaak, Alcide De Gasperi, Robert Schuman, Konrad Adenauer, Joseph Bech, and Georges Bidault, and by writers like Albert Camus, Raymond Aron, George Orwell, Denis de Rougemont, and Ignazio Silone.

The British opted out, but the others persevered. On 18 April 1951, less than a year after the original Schuman Plan, the representatives of Belgium, France, Germany, Italy, the Netherlands, and Luxembourg signed the treaty establishing the first European Community: the European Coal and Steel Community, or ECSC. As befitted this embryo constitution for a united Europe, the copy of the treaty signed in Paris was printed by the French Stationery Office on Dutch vellum in German ink, and was bound in Belgian parchment with Italian silk ribbons and Luxembourg glue.

But where should the organization be located? After much deliberation and haggling, at three in the morning of 25 July 1952, Joseph Bech, "stout, moustachioed, and a little like Santa Claus: the Prime Minister, Foreign Minister, and Wine Minister of Luxembourg," took matters into his own hands: "I propose that work begin right away, in Luxembourg."

The people of Western Europe, together with the United States, had forged new

bonds "as the shadows had darkened over captive Eastern Europe." At home, they had improved their people's lot beyond recognition, at the cost of new conflicts and new demands. Overseas, they had slowly shed colonial pretensions. They "had bequeathed to their children a new Europe." Concluding, Mayne writes that the people of postwar Europe had saved themselves by their exertions: "Their example, like their achievement, still stands."

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O'BRIEN, JOSEPH V. *Dear, Dirty Dublin: A City in Distress, 1899-1916*. Pp. xiv, 338. Berkeley: University of California Press, 1982. No price.

"I remember Dublin city in the rare old times" goes one rather fetching and sentimental song about life in Dublin in years gone by. *Dear, Dirty Dublin* can be recommended to anyone who would like to understand the reality, as opposed to the romance, of Dublin at the turn of the century.

The book is divided into coherent sections dealing with various aspects of life in Dublin, its administration, and the effects of historical events on the city and its people. The book's great strength and fascination is that it focuses on ordinary citizens and their everyday difficulties and preoccupations that tend to get short shrift in the headier atmosphere of historical accounts of the profound political changes of the period.

O'Brien presents the fruits of his careful research into housing, health and health care, income and employment, and the general social conditions experienced by the people of Dublin. Also given careful attention are the important civic institutions such as the corporation and metropolitan police force. This is a nuts-and-bolts social history of Dublin, and the reader will find sections dealing with such vital issues of public welfare and well-being as transport, sanitation, and public water supply.

There is a carefully observed balance in the book between different kinds of information. In practically all of the chapters, interesting and important statistics are presented with appropriate comparative data, but O'Brien blends this information nicely with his account of the topic in hand. Some well-chosen photographs of the period add a further dimension.

The outstanding impression this book leaves in the mind is of the appalling degradation and suffering that many Dubliners had to endure as part and parcel of everyday life just a short time ago. Indeed, some sections of the book dealing with the basics of life in Dublin provide very uncomfortable reading. Yet, as O'Brien indicates, Dublin's experience for the most part reflects city life in the United Kingdom at that time, only somewhat worse for various reasons. The book is therefore of wider than just Irish interest and provides a useful measure of the scope of our progress in making life better in this century.

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WALD, KENNETH D. *Crosses on the Ballot: Patterns of British Voter Alignment Since 1885*. Pp. xvi, 264. Princeton, NJ: Princeton University Press, 1983. $25.00.

MILIBAND, RALPH. *Capitalist Democracy in Britain*. Pp. 166. New York: Oxford University Press, 1982. No price.

Class has been fundamental to British politics in the twentieth century; yet, despite Marxist predictions of intensifying conflict and collapse, Britain remains a highly stable and peaceable political kingdom. Both of the books under review confront this paradox and attempt to resolve it, even though the methods they use and the approaches they favor are otherwise quite different.

Crosses on the Ballot is a major work of scholarship that no student interested in British history or electoral behavior will be able to ignore. It is no surprise to learn that the dissertation upon which it is based won the American Political Science Association's award for the best dissertation in comparative politics, and also a prize from the British Politics Group of APSA.

In the first two decades of the twentieth century, British politics changed in two crucial ways. First, the Labour party replaced the Liberals as the major party of the Left. Second, class replaced religion as the central determinant of voting behavior. Historians have puzzled endlessly on the relationship between these changes. When precisely did they occur and why? Did the shift in the basis of voting behavior precede or coincide with the shift from the Liberals to Labour? The answer that one gives to this question is crucial to the resolution of the long-standing controversy on the decline of the Liberal party.

The traditional view has always been that the growth in class consciousness occurred during World War I, aided by the massive expansion of the electorate brought about by the Fourth Reform Act of 1918. This, it has been held, made the replacement of the Liberals by Labour almost inevitable. This interpretation has recently been challenged by such historians as Peter Clarke and Neal Blewett and, to some extent, by Henry Pelling, doyen of British Labour historians. They maintain that the crucial growth of class consciousness had occurred before the outbreak of war, and that the Liberals had already adapted to it under the prewar leadership of Asquith and the Liberal reformers. Thus the decline of the Liberals is to be explained less in terms of long-term trends than by contingent factors such as the split between the supporters of Asquith and of Lloyd George, together with mistaken decisions made by leaders of the Liberal party in the 1920s.

Wald seeks to resolve this dispute by means of the ecological analysis of election results—a method that, in his words, "makes it possible to converse with the dead." He shows that religion was by far the dominant factor in voting behavior before 1914, and so the traditional view of the relationship between the shift of voting behavior and the realignment of parties seems to have been vindicated. Wald offers some suggestive comments on how this transformation came about, stressing long-term changes in the process of socialization that weakened the importance of religion and made class more salient. *Crosses on the Ballot* is a pioneering attempt to apply the techniques of the social scientist to historical analysis, and it will be many years before its impact will have been fully digested.

Capitalist Democracy in Britain is a very different sort of book. Written by a committed Marxist, it is as much a work of polemic as of scholarship. Miliband is concerned to explain why Marxist predictions have failed to come true; how it is that, despite a century of economic decline, the British political system has resisted all attempts to subvert it. His explanation lies in "the concern of the people in charge of affairs to contain and reduce popular pressure, in a context that gave to that pressure new opportunities for organized expression," and *Capitalist Democracy in Britain* consists of an analysis of the principal agencies whose function it is to contain such popular pressure.

Despite the perceptive points that are made in passing, it is difficult to see how Miliband's central thesis can be sustained, for the agencies of containment that he discusses—Parliament, the trade unions and labor movement, the media, the newspapers, the civil service, the police, and the military—exist in all developed democracies. Therefore, to cite them as central factors in the containment of popular pressure in Britain is insufficient to distinguish Britain from other, less stable, capitalist societies. Miliband is aware that economic factors are not necessarily fundamental in explaining a country's political development, but his basic assumptions prevent him from appreciating the real historical factors that influence society. He is too addicted to explaining Britain in terms of

a conspiracy theory of history, and social reform, economic improvement, and the cooptation of labor are all forced into the Procrustean bed of a capitalist plot. Miliband concludes by asserting that the long-expected crisis is now upon us; the shift to authoritarianism can be stopped only by the united resistance of a strong labor movement, a *deus ex machina* whose intervention must seem less likely today than at any time since the Labour party was founded. Still, like the Webbs, with whom he otherwise has little in common, Miliband can at least claim to possess the courage of his obsolescence.

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WRIGHT, ANTHONY D. *The Counter-Reformation: Catholic Europe and the Non-Christian World.* Pp. v, 344. New York: St. Martin's Press, 1982. $25.00.

COWAN, IAN B. *The Scottish Reformation: Church and Society in Sixteenth-Century Scotland.* Pp. x, 244. New York: St. Martin's Press, 1982. $25.00.

With the Council of Trent, 1545-63, Roman Catholicism embarked on a path of reform, now known as the Counter-Reformation. Though a response to Protestantism, this movement, as Wright reminds us, had roots antedating Luther's breakthrough. Wyclif (d. 1384) had already proposed a reform based not on Church traditions but on *lex evangelica,* the evangelical law of the Bible. The Spanish Crown Inquisition, established in 1480 over and against the Roman Inquisition, illustrated the conflict between popes and princes for temporal power. Bishops were regularly called to reside in their sees, clergy to fulfill their pastoral duties, and the hierarchy to reform Church finances. Earlier attempts, like the Fifth Lateran Council, 1512-17, prepared, but did not bring about, the necessary reforms.

Only with the Tridentine profession of faith, 1564, did reform begin, with special emphasis on the legitimate administering of the sacraments. The Church hierarchy's role in mediating sacramental power was reaffirmed, a uniform Latin rite was imposed, and questions of authority were resolved. This spurred reconversion in Europe and, beyond, vigorous missionary work. The jurisdictional battles between Catholic princes and the Church hampered implementation and were reflected in the missionfields. The Church censured mass conversions in Latin America and the use of native rites in the East, undermining ecclesiastical sanction for colonial activities. Consolidation came slowly, culminating in the First Vatican Council's declaration of papal infallibility in 1870.

Wright's is a history of political events, with little concrete detail from below to relieve a tedious procession of events and dates. And only one attempt is made to capture the spirit that guided the Counter-Reformation from above. His depiction of the Counter-Reformation as an Augustinian revival is dubious. Church policy did not reflect scholarly interest in Augustine. Thomism became the official theology against Protestant teachings on justification and Spanish attempts to dominate the papacy. Reacting against such forces, it shrank from a heroic *summa* to a legalistic code. Augustine, like Paul and Luther, abhorred legalistic religion. In 1713, the bull *Unigenitus* suppressed Jansenism and, implicitly, a spiritual spark in Augustinianism.

Wright's history describes the politics of the Counter-Reformation with all its cross-currents and storms. It debunks the myth of a monolithic Catholicism after Trent. It justly praises figures like Charles Borromeo for the sincere devotion to pastoral reform. But in the end, we see the construction of a Church hierarchy through whose channels redeeming sacramental power, but little of the spiritual drive behind it, will flow to believers.

In 1559 and 1560 the Church in Scotland turned from Catholicism to Protestantism.

Cowan has written a lively, insightful history of this period, called the Scottish Reformation. As elsewhere in Europe, the need for pastoral and financial reform was urgent in the Scottish Church. Locally, the substitution of pageants and pilgrimages for preaching and personal devotions seems to have brought a spiritual lethargy upon the laity. This pointed to an unhealthy tension between ecclesiastical and secular realms and between their authorities.

Even before 1559, deviation from Rome took place. A Scottish catechism from 1552 ignored the Tridentine rulings on the role of faith in justification and the sacramental nature of the mass. True, Protestants had been proselytizing in Scotland, but without decisive impact. A political event triggered the Reformation: in 1558 Queen Mary married the French Dauphin, making a secret assignation of Scotland to the king of France, if she died without heirs. Revolt began among the lairds, assumed an anti-Gallic, anti-Catholic mood, and radiated throughout Scotland.

The gap between secular and sacred realms closed: a national Church emerged with full lay participation. Idols were smashed, monasteries disbanded, with their buildings used as schools or hospitals. Personal devotion increased markedly along with Church attendance. The treatment of recusant Catholics, "old bottels [that] would not receave the new wine," is lenient and charitable. Cowan's vivid history of life and worship in Scotland before and after 1559 suggests the occurrence of more than a bureaucratic reorganization of the Church. It points to the influx of spiritual content into those ecclesiastical forms. Cowan has captured and felicitously conveyed the spirit of the Scottish Reformation.

Not all events in history can be seen as the mechanical outcome in time of earlier economic and political conditions. Sometimes there is a spirit that breaks through with the power to transform history. These two kinds of historical change correspond to the distinction Tillich draws between *chronos* and *kairos*. *Chronos* is quantitative, clock time; *kairos* is qualitative, the right time. In the context of Church history, the obvious example of a *kairos* breaking into history, transforming it, is the appearance of Jesus as the Christ. From Cowan's history, we may infer the appearance of a *kairos* transforming the Church in Scotland. But the transformation Wright describes in the Counter-Reformation has less the character of a *kairos* and more that of a political retrenchment in the face of the Reformation. As long as the Church remains primarily concerned with the ultimate spiritual welfare of human beings, its historical developments and progress will be judged in terms of the *kairos* entering and transforming history.

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BERNSTEIN, BLANCHE. *The Politics of Welfare: The New York City Experience.* Pp. x, 220. Cambridge, MA: Abt Books, 1982. $22.00.

Why did New York's welfare caseload quadruple between 1961 and 1972 when population movements from country to city were subsiding, real wages rising, and unemployment dropping to unprecedented levels? This volume arose out of Blanche Bernstein's efforts to resolve this knotty problem. She succeeded brilliantly; more important still, she arrived at conclusions rarely if ever previously printed about the baleful effects produced by the actions of some civic associations and some welfare officials. Her rhetoric is simple and straightforward, her facts authentic. Notwithstanding her restrained style, her findings create cause for concern.

The mushrooming of caseloads, she discovered, did not take place by happenstance. The organizations that comprised the welfare establishment joined forces to promote so-called justice for the poor through expanded welfare; welfare administrators implemented policies in ways the voting public

never contemplated and Congress never intended. Goaded by legal advocates, judges began to intrude into programmatic areas of welfare administration. Collectively these disparate forces helped create the welfare mess.

The problem has been aggravated by welfare officials' unwillingness to admit the actual numbers of ineligibles on welfare rolls, by their masking welfare's true costs, and by the disincentives for working that high welfare payment levels have created. What is more, Bernstein found that the best defense, by far, against permanent dependency is the intact family; yet welfare administrators' actions tended to disrupt family stability, thereby relegating many welfare recipients to an underclass.

Salient issues treated in this penetrating volume include the following. Should employable persons on welfare be required to work? Should physically fit low-income fathers be held responsible for supporting their children? Should the distribution of federal food stamps be adjusted to the scale of family welfare payments?

Conservatives, of course, would answer yes to all three questions. So does Blanche Bernstein, not merely because she wishes to save expenditures, but also because she wishes to save souls—not for an afterlife, but for a tolerable life on earth. She is thoroughly familiar with the seamy side of welfare and strives to protect as many as possible from its pathology. She informs us, for example, that female-headed families account for more than 19 out of 20 welfare children in New York. They comprise most of the high school drop-outs, a group whose members rarely find jobs with good wages and chances of advancement, but which is most vulnerable to delinquency and drug addiction.

Bernstein offers no sure-fire remedies, but suggests joint intervention by the public schools and public social services. After the age of twelve, she asserts, a child substantially behind in basic school subjects is a poor prospect for rehabilitation. Efforts to reclaim younger pupils will probably be discouraging, but they appear to have better chances of success. These observations are obviously relevant to New York's Gates program, under which children may be retained in grade after the fourth and seventh years of elementary and junior high schools.

Bernstein possesses a rare professional background: she is both a scholarly analyst and a respected practitioner in her area of expertise. Given the wide circulation it deserves, her book may become a landmark in its field.

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BOBBITT, PHILIP. *Constitutional Fate.* Pp. xii, 285. New York: Oxford University Press, 1982. $22.95.

The words "constitutional theory," at least to those who have had a passing acquaintance with law school, still have a special resonance to them, of first principle questions and evanescent answers. Around what idea or ideas is our government formed? What legal rules are to govern our society? What legitimacy is there for our constitutional framework? These questions give constitutional theory its particular primacy, its transcendent quality, and are the focus of Philip Bobbitt's striking new book, *Constitutional Fate.*

Bobbitt approaches constitutional theory in the traditional way by looking principally at the notion of judicial review of constitutionality. His analytical framework, however, is anything but traditional. He in fact intends to be radically innovative in his discussion of this issue. For Bobbitt, constitutional legitimacy is a function of the interaction of constitutional argument and the ways in which such arguments are actually used by judges.

In examining constitutional legitimacy Bobbitt analyzes five different types of constitutional argument and associates with each of these leading constitutional scholars: historical argument (William Crosskey), tex-

tual argument (Hugo Black), doctrinal argument (Henry Hart), prudential argument (Alexander Bickel), and structural argument (Charles Black). After discussing the limitations—both practical and theoretical—of each of those types of argument, Bobbitt analyses an additional form: "ethical argument." By "ethical" he means

> Constitutional argument whose force relies on a characterization of American institutions and the role within them of the American people. It is the character, or *ethos,* of the American polity that is advanced in ethical argument as the source from which particular decisions derive.

Bobbitt argues not so much that the traditional forms of argument are wrong, but that their use and emphasis is to a considerable extent dependent upon the particular circumstances of any given case. He makes his point about the uses of different types of argument through two types of analogy: first, through comparison with the children's game of scissors/paper/stone, with its circular hierarchy of values; and second, through comparing a judge with an artist:

> If you were to take a set of colored pencils, assign a separate color to each of the kinds of arguments, and work through passages in an opinion of the Supreme Court deciding a constitutional matter, you would probably have a multi-colored picture when you finished. Judges are the artists of our field, just as law professors are its critics, and we expect the creative judge to employ all the tools that are appropriate, often in combination, to achieve a satisfying result.

A number of passages in Bobbitt's work, like the preceding, contain language with which the reader is apt to be immediately sympathetic. On balance, however, there is not the connecting thread in his thought—at least for me—from which can be constructed any sensible framework to explain the current status of constitutional law in American society. Maybe there is no satisfying answer at the moment. In any case, Bobbitt's writing is both sparkling and thought provoking. If it is not also immediately satisfying, that may be the reader's fault as much as it is Bobbitt's. There is more in *Constitutional Fate* than can be digested comfortably at one sitting.

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CAFFERTY, PASTORA SAN JUAN, BARRY R. CHISWICK, ANDREW M. GREELEY, and TERESA A. SULLIVAN. *The Dilemma of American Immigration: Beyond the Golden Door.* Pp. xv, 214. New Brunswick, NJ: Transaction Books, 1983. No price.

There can be no disagreement with the authors' contention that "immigration may well be the thorniest and most ethically problematic issue confronting America today and in coming decades." Certainly, the complexity of immigration and the divisiveness of opinion have failed to generate a political consensus on the issue of U.S. immigration policy. Nevertheless, this book provides an eminently balanced treatment of the immigration experience, past policies, and recommendations for immigration reform.

Organized into three parts, the book deals concisely and credibly with topics and issues that are crucial to the development of immigration policy. Part 1, in reviewing past and contemporary immigration legislation and patterns of immigration, disposes of some widely held, but false, notions about economic, political, and social consequences of legal and illegal immigration. Quite correctly, more significance is attached to similarities or continuities between periods of immigration and among immigrants. In Part 2, immigration is analyzed through the lens of foreign and domestic interests; of particular concern are the need to provide a system of rationing the admission of refugees, the impacts of immigrants at local levels, and devaluation of U.S. citizenship.

The last part of the book is judged to contain the most substantive sections. Returning to issues raised earlier, Cafferty, Chiswick, Greeley, and Sullivan place their recommendations for immigration reform in the

context of national interests and the indisputable need to limit immigration. To this end, a series of recommendations are made, some of which are bound to be provocative. Noteworthy are the proposals to abolish country ceilings on immigration; shift rationing criteria away from kinship to reflect the admission of skilled immigrants; apply an immigration tax to help finance social overhead capital expenditures; establish a new independent immigration commission, the National Immigration Agency; develop new programs to deal with special categories of immigrants; and increase support for enforcement activities. Amnesty, sanctions against employers of illegal aliens, issuance of national identification cards, and other past reform proposals were not endorsed.

Perhaps the most commendable aspect of the book is the emphasis placed on the underlying theme of developing an immigration policy that is coincident with national interests. That these interests can be preserved, along with humanitarian-based responses to the global community, is demonstrated in the proposals for reform that are equitable to the United States as well as the sending countries. Furthermore, the clarity of the proposals and their inherent fairness should elicit serious consideration by policymakers.

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COLE, WAYNE S. *Roosevelt and the Isolationists, 1932-45.* Pp. xii, 698. Lincoln: University of Nebraska Press, 1983. No price.

There are numerous ways to evaluate a book. Several of the questions that come to mind are, Is it well written? Is it adequately documented and researched? Does the author present an interesting and defensible interpretation of the material under discussion? Does the author present a new contribution to our understanding or repackage existing impressions? And, does the work contribute anything to ongoing discussions of similar sorts of events, situations, persons, or processes?

On almost all of these counts Wayne S. Cole's *Roosevelt and the Isolationists, 1932-45* is a good book. It is plausible, defensible, readable, interesting, and makes a contribution both to the scholarly literature and to our present national discussions, hopefully even debates, about the present and future of U.S. foreign policy.

Many interested scholars note that the relatively incompatible themes of isolation and internationalism have struggled against each other throughout the course of U.S. history. I wish that Cole had done more to establish such a thematic context. Without a rather elaborate discussion of what isolationism meant to the various participants in differing circumstances, one might arrive at the entirely erroneous conclusion that isolationism has always meant the same thing for all those who, for whatever reasons, opposed international involvement by the United States. Cole presents abundant evidence to support the more valid and heuristic point that isolationism has been a policy choice arrived at by different people and varying types of people for often quite dissimilar reasons. All who opposed either Roosevelt's foreign policies or a U.S., British, French, and—to be sure!—Soviet alliance prior to and during World War II neither were of the same temperament, nor did they share similar intentions. Such critical differences are submerged by Cole's presentation.

Cole's book provides the reader with considerable material to reflect on in light of present-day circumstances. Now, as then, we have a U.S. president who rather skillfully and ruthlessly manipulates symbols and utilizes the tools of the office to portray his political opponents as unrealistic, unknowing, childlike, and even sometimes traitorous. Rather than dialogue and debate, there are staged debriefings and "morality lessons." The administration resorts to a wide variety of secrecy and diversions to shield it from the amount of accountability and

responsiveness necessary for a democracy to function properly. There are legitimate targets abroad for both scorn and active opposition.

In light of Reagan's adventurism and steadfast denial of the complexity of today's world, Cole's efforts indeed provide a useful history. Perhaps today isolationism—defined as the general self-containment of U.S. power—is a more rational and moral position than an "internationalism" predicated upon searching for ways to flex our too dangerous military muscle.

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FRIEDLAND, ROGER. *Power and Crisis in the City*. Pp. xi, 248. New York: Schocken Books, 1983. $19.95.

The major emphasis of this volume is directed to a critical examination of the interactive involvement of corporations and unions in urban public policy. This book attempts to illuminate and evaluate how policies related to the economic and social development of inner cities have been dependent on the influence of large corporations and unions, power brokers who have a vested interest in the promotion and implementation of specific policies and programs since the end of World War II. In this study Friedland directs his attention to the time period 1964-75, focusing his examination of urban public policy on two major urban redevelopment programs: urban renewal and the war on poverty. Friedland argues that

> the power of national economic organizations such as corporations and labor unions does not originate in the participation of businessmen or labor leaders. Rather, its origins lie in the organization's control over resources—private investment and apparatus for mass mobilization—upon which local governance depends (p. 1).

Power and Crisis in the City is divided into nine chapters. The first three chapters provide an overview of the goals and objectives of this study as well as delineating both theoretical assumptions and methodological issues inherent in the research presented. The remainder of this volume is devoted to a critical analysis of the impact of the roles of corporations and unions on urban public policy. Within the framework of this discussion, Friedland addresses what he perceives to be some of the major underlying causes that precipitated violence by blacks in many inner cities during the late 1960s.

At the outset of this volume, Friedland states the "the empirical hypothesis of this book is that where national corporations or labor unions are locally powerful, local conditions that affect their interests will affect public policies intended to serve those interests." Although Friedland provides an interesting and insightful discussion of the urban political dynamics underlying the design and implementation of public policy, still, I find the analysis unconvincing for a number of reasons. What is missing from this study are detailed and concrete examples and case studies that elucidate the premises on which this research is based. Second, Friedland relies extensively on limited secondary information rather than using available primary data. Finally, Friedland's global analysis of urban public policy clouds the complexity of the problems under discussion.

Although I have many reservations about this volume, it does provide an interesting mode of analysis for examining an often neglected feature of urban policy analysis. Many of the issues examined may serve as springboards for future research.

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JONES, BRYAN D. *Governing Urban America: A Policy Focus.* Pp. xiii, 432. Boston, MA: Little, Brown, 1983. Paperbound, no price.

There are obviously many ways to approach the study of urban affairs and politics. In his book, *Governing Urban America*, Bryan Jones of Wayne State University adopts a plan that emphasizes the policymaking orientation, as well as synthesis of current research in the field. Throughout the book Jones attempts to deal with five central issues: limited government, local autonomy, democratic accountability, governmental effectiveness, and policy distribution. As he notes, these are key issues in political science, and worthy of detailed consideration.

For the most part, Jones is successful in his attempt to address these issues and discuss contemporary research areas in urban affairs. His book is of moderate length and quite comprehensive in scope. Some of the chapters include

—a discussion of the urban policymaking process and the environment in which this process is carried out;

—participation and power in city politics;

—the structure of municipal and metropolitan-wide government;

—and the process of carrying out policymaking in the urban context.

The last point includes a discussion of public finance, intergovernmental relations, bureaucracy, and planning. Finally, there is again mention of the five central issues raised earlier and an attempt to tie them together by describing how they relate to the areas discussed in previous chapters of the book.

Few other textbooks in the urban field have so ably adopted the policymaking approach to urban affairs. Probably the most similar in content is David Morgan's *Managing Urban America* (Duxbury Press, 1979—new edition in process). Morgan's approach is comparable to Jones's, although he relies more on administrative theory and description of the bureaucratic process. On balance, Jones's book may be more useful as a text, since it covers the same material but also stresses current research findings in a variety of subfields of urban affairs that are not covered in Morgan's book or other recent urban government texts.

The main deficiencies of Jones's work lie in style and, to a lesser extent, its scope. At times the writing tends to be pedantic and, perhaps, difficult to follow for an undergraduate student. Similarly, not all facets of urban government and policy are covered, and some instructors may find it necessary to use a supplementary text or selection of readings to provide the desired depth in coverage of selected topics.

Despite these caveats, Jones has written a book that is definitely an excellent addition to the field of urban policymaking and government, and one that should prove to be satisfactory for both student and instructor in classroom use.

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KESSLER-HARRIS, ALICE. *Out to Work: A History of Wage-Earning Women in the United States.* Pp. xiv, 400. New York: Oxford University Press. $19.95.

Out to Work by Alice Kessler-Harris represents nearly a decade of research culminating in the synthesis of how the role of economics, family life, and ideology interrelate to influence the pattern of female wage labor. Kessler-Harris examines the roots of sexual stratification, sex-role divisions, and the nature/nurture argument as they impinge on women's labor-force participation.

In seventeenth-century America, harsh land policies prohibiting women from owning property and inaccessible apprenticeships limited economic possibilities for women. Social problems resulted in the eighteenth century, as unwed and widowed women lacked any viable means of support and were forced to be dependent on the

community. The War of Independence, like subsequent wars, brought women out of the home and into the work force with no expectation of upward mobility. The poverty of urban women, along with growing numbers of rural women no longer needed in their parents' homes, added to the female labor force. Factory boarding houses emerged for young, single women working in mills. Despite hard work and long hours, women experienced for the first time a measure of economic independence, a sense of choice, and more geographic mobility than before. Financial independence, albeit limited, could threaten the secondary and subordinate status of women. In the boarding houses, therefore, strict rules were enacted that served the dual purpose of limiting freedom for women while maintaining a well-disciplined work force.

A homogeneous, highly sex-segregated work force contributed to strikes by women in response to wage reductions and extensions in work hours. Unlike men, women formed a cohesive force since they were not competing against each other for promotion and success.

The domestic code, which followed the depression of 1837-39, glorified the homemaker role and implied that women who dedicated themselves to family life were of a higher moral fiber than those who did not. Men were forced to work harder, since a working wife was evidence of failure as a breadwinner. The fear that the price of labor would fall to the female standard if women were allowed in the work force resulted in attempts to convince women that by entering the labor force they were standing in the way of men. For women, the domestic code eroded the promise of independence originally associated with wage labor. By the mid 1800s, women who worked in factories were thought of as lower-class people of extreme poverty and questionable morals.

After the Civil War an unbalanced sex ratio predicated more single women and more female wage earners. Women were thought to be responsibile for their own low wages because they underbid each other and were greedy enough to work for low wages when they did not need the wage but only wanted extra spending money. This idea supported and popularized the suspicion that widows and single women worked, not for necessities, but for frivolities.

Around the turn of the century, changing economic realities somewhat diminished the great concern with the overall effects of women's work on family life. Factors propelling married women into the labor force were shortened childbearing years, increased life expectancy, development of household technology, and education. Marital status, race, and ethnicity still determined labor participation, but women now had more occupational choices. Unions guaranteed little to women, and insidious practices discouraged female participation. Once women began to organize, however, they often surpassed men in militancy.

Protective labor legislation worked negatively for women by regulating their opportunity to work and designating what types of jobs were available to them. There was also the ideological danger inherent in asserting women's weakness. Protective legislation, ostensibly intended to protect women so they could conceive and bear healthy children, put adult females in a class as children.

By the 1930s, expectations of personal satisfaction from work began to emerge. Women began to see work as a lifelong involvement, even though the constraining ideology of home and children was prevalent. In the 1950s, shortages of workers led to training programs and educational opportunities for women. For the first time, women began to see themselves as permanent wage workers who had a right to a job, and they became eager for the rewards of that status. Women reared in the fifties entered the labor force, in the sixties and seventies, more conscious of the issues of sex roles and home and work roles, which throughout history have been major determinants of women's labor-force participation.

Kessler-Harris has done a thorough job in documenting the history of wage-earning women in the United States. Extensive notes,

historic photographs, and a complete index make this work a valuable resource for scholars.

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METCALF, GEORGE R. *From Little Rock to Boston: The History of School Desegregation.* Pp. x, 292. Westport, CT: Greenwood Press, 1983. $35.00.

George Metcalf, journalist and sometime New York state legislator, set out "to write a history of school desegregation, emphasizing in particular, the negative impact of the Nixon administration." He believes that if the momentum given to desegregation by Lyndon Johnson had "continued beyond the 1968 election, with continuing support from the White House, the nation's public school system would be fully integrated."

He traces the administrative, legislative, and judicial struggles over school integration, busing, and racial balance in some detail from 3 January 1965, when the Department of Health, Education and Welfare (HEW) began to try to enforce Title VI of the Civil Rights Act of 1964, which empowered the cutoff of federal funds to school districts that discriminated, through the Nixon administration, with a few glances at the Carter years. Chapters focus on individual episodes or cases.

Metcalf, president of the National Committee against Discrimination in Housing, writes with committed passion. He believes "that the only way to achieve racial integration is through racial togetherness." The book is based on secondary sources, largely journalistic, and a few public documents.

The result is a narrative *engagé,* clearly written and lively. Someone who wants a good, short summary of, say, *Swann* v. *Mecklenburg* (1971), will find it here. What is lacking is an understanding of why busing and attempts to end de facto segregation outside of the South have been so spectacularly unsuccessful. The chief villain here is Richard Nixon. It seems to me that the current administration provides an opportunity to view the Nixon era in a different light. Robert Finch and Elliott Richardson, two politicians Metcalf rightly finds less than heroic HEW secretaries, would loom as liberal paladins among the present crew, but Metcalf has not chosen to view them from a contemporary perspective.

Overall the facts are well marshaled, but there is little—save for material from Leon Panetta's memoir of the early years of Nixon's HEW—that will surprise a careful reader of the liberal press. This is the passive journalism of the newspaper morgue rather than the active journalism of Kugler's *Simple Justice.*

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WIDENOR, WILLIAM C. *Henry Cabot Lodge and the Search for an American Foreign Policy.* Pp. xi, 398. Berkeley: University of California Press, 1983. $24.50. Paperbound, $8.95.

No greater tribute can be paid to a book than when the reviewer feels compelled to elaborate upon theme after theme discussed by its author. Widenor's work is in fact an account of Henry Cabot Lodge's thoughts on American foreign policy. But it is more than that. Lodge, a Harvard Ph.D. in history and a U.S. senator who eventually became majority leader and chairman of the Senate Foreign Relations Committee, experienced and shaped a pivotal period in American diplomacy. After a long hiatus of noninvolvement, the nation emerged as a great power. The questions faced by executive and congressional leaders then are still the salient questions faced today. The various and contradictory answers given in Lodge's time have never been reconciled into a coherent body of foreign policy principles. The themes endure.

Whereas Lodge believed that a long and detailed study of foreign policy was necessary for prudence in formulating and carrying out foreign policy, there were those who held that intelligence and proper values were sufficient for managing the affairs of state. The dispute rages now.

Whereas Lodge believed that Congress must confront a wayward president who risked damaging the national interest, there were those, notably President Wilson, who believed Congress should accept and support executive leadership in world affairs. The dispute rages now.

Whereas Lodge believed economic sanctions would fail to induce great nations to make concessions, there were those whose "preconceived and rooted theories" led them to believe otherwise. The dispute rages now.

Whereas Lodge believed that idealists committed the United States to goals impossible of achievement and injurious to traditional national interests, there were those who believed that collective security under a world organization would usher in a new era of global politics. The dispute rages now.

Whereas Lodge believed that popular democracy pushes the president to cater to U.S. public opinion to the neglect of influencing the decisions of foreign governments, there were those who saw domestic unity and support as the bedrock of a successful foreign policy. The dispute rages now.

Whereas Lodge desired to discuss the details of war aims while the war endured, so that the nation would be confident that the world would be safer and America's role secure when the war ended, there were those who said to trust the president and rally to his side. The dispute rages now.

Whereas Lodge believed that the lessons of the past, especially those that emerged from the Civil War, mandated unconditional victory in international struggles, there were those who saw that a reconciliation without humiliation would create a more tranquil future. The dispute still rages.

Widenor argues from Lodge's perspective, although the author is never hesitant to reveal Lodge's inconsistencies and misjudgments as he supported Roosevelt and combated Wilson. The work can be read as a history of a particular time through particular eyes. It can also be read as a commentary on disputes that still entangle U.S. foreign policy. As such, it suggests a diplomacy of considerable immaturity.

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SOCIOLOGY

BADIE, BERTRAND and PIERRE BIRNBAUM. *The Sociology of the State.* Translated by Arthur Goldhammer. Pp. 171. Chicago: University of Chicago Press, 1983. No price.

This book says more about the state of sociology, and, to me, it is yet another showing of why history is unlikely to rescue it from its maturing malaise. The objective of the book is worthy enough: to clarify the concept of the state as it has come to be viewed in the happily no longer regnant modernization theory of functionalist sociology. Clarification is achieved by distinguishing between the notions of "political center" and "state" and by using two other notions of the great founders of sociology—Marx, Durkheim, and Weber: social differentiation and culture.

Half of this small book consists of a review of the confusions about the state by the founders and a good critique of modernization theory. The authors appear to want to modify the latter, not to bury it, but how even a modified modernization theory can survive without the state—the true state being denied as a possibility for the Third World—I cannot see. Moreover, what the "true state" is we learn only in the second half of the book, where it is defined as fully autonomous from civil society, a condition achieved only in France. Weak approxima-

tions are found in Germany, Britain, and the United States.

The true state's emergence in France seems to have to do with two historical factors. One is the process of politically relevant social differentiation that began with the gradual formation of absolutism in France during the fifteenth century and, rather remarkably, is seen as continuing under the recent Gaullist regime. To this process of *longue durée* a second factor is added—culture—especially Catholic culture, which both established a model of centralized, bureaucratic power (the papacy) and legitimated a duality (domains of God and Caesar) upon which the autonomy of the true state could be created. Why other absolute monarchies of the Catholic persuasion—Spain or Austria—went by other roads, or at least arrived at different places, is not clear. Nor am I let in on what the authors mean by "political center," as opposed to "state." This is a distinction of considerable importance, since it is in the isomorphism of "state" and "political center" that the uniqueness of the French achievement is realized; Italy has a state but no political center, Britain and the United States have centers but no true states, and the poor Swiss have neither.

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BERGER, BRIGITTE and PETER L. BERGER. *The War Over the Family: Capturing the Middle Ground.* Pp. ix, 252. Garden City, NY: Doubleday, Anchor Press, 1983. $14.95.

As a focus of intellectual examination, the family is an area of the social sciences in which policy formation and the ideal of objectivity frequently coexist in contradictory and ineffectual silence. Consequently, study of the family is often disjointed and nonproductive.

In their book, *The War Over the Family,* Brigitte Berger and Peter L. Berger confront the family and its concomitant array of value issues in a straightforward manner. They make explicit their own values in the ideological debate over the family by supporting the bourgeois family. In detailing the elements of this view, they outline the centrality of the family in historical and contemporary contexts.

Berger and Berger identify three contemporary views of the family: the leftist and feminist critique, the reactionary pro-family movement, and the supposed value-free perspective of social-scientific analysis. They trace these views of the family to a common source: the mythology of the classic Western family. According to this perspective, social change either prompts the classical family to change and decline or causes the family to become anachronistic. In contrast, Berger and Berger adopt a revisionist perspective. They suggest that the family does not merely respond to social change but is an active force in modernization. Hence, urbanization and industrialization do not destroy the family. Instead, the family is a viable, integral force in both historical and contemporary society.

Of particular importance in this analysis is the conceptualization of the bourgeois family, for it is this family form that Berger and Berger regard as the propellant of modernization. This aspect of the analysis, however, is somewhat discontinuous because an adequate definition of the bourgeois family is never offered. Berger and Berger fail to delineate the precise relationship between the historical bourgeois family and the contemporary bourgeois family. The discussion shifts between historical and contemporary circumstances without justification or clarification. Without a specific understanding of the bourgeois family, the authors' defense of this family form is unavailing.

In the last section of the book Berger and Berger assume a position of advocacy. Their defense of the bourgeois family is based on two arguments: (1) the bourgeois family is the most viable means of producing stable and responsible individuals, and (2) these responsible individuals are the foundation of a

political democracy. They conclude by offering six general guides for policy formation that emphasize the primacy, autonomy, and, hence, ascendancy of the bourgeois family.

By concluding their analysis of the bourgeois family with policy implications, Berger and Berger return to a recurring concern of the book and a problem characterizing the study of the family: the relationship between the family and judgments of value. Recognition of particular value orientations is a crucial element in achieving a richer, more complete understanding of the family. The failure of Berger and Berger adequately to define the bourgeois family or to specify the relationship between the historical and contemporary bourgeois families testifies to the enormity of the task. Realization of the inherent relationship between the family and value judgments is a crucial step in advancing family study beyond an abecedarian level to a greater awareness of the complexity of this social phenomenon.

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CLINARD, MARSHALL B. *Corporate Ethics and Crime: The Role of Middle Management.* Pp. 189. Beverly Hills, CA: Sage Publications, 1983. $25.00.

Marshall Clinard, one of America's eminent criminologists, has established himself as a leading authority on corporate and other business crime in his landmark study *The Black Market* (1952) and in his recent work with Peter Yeager, *Corporate Crime* (1980), which he himself considers the most comprehensive research study on the subject since Sutherland's pioneering work. In this latest study, Clinard has made another unique contribution to the growing literature on corporate crime by examining, for the first time, the views of middle management—those executives who carry out the directives of top management in the areas of procurement, manufacturing, and marketing. The volume consists of a quantitative and qualitative analysis of the views of a sample of 64 retired middle-management executives of *Fortune* 500 corporations, which, while not randomly selected, was representative in terms of types of industry, sizes of corporation, types of position in corporation, age, and education.

Clinard specifically was interested in middle management's perspective on the underlying reasons for the sharp differences between corporations in adherence to ethical standards and the law. At the most general level, these differences were reported to be related much more to internal factors, particularly the role of top management, than to external factors such as the financial situation of the corporation, unfair competitive practices of other corporations, or type of industry. Although Clinard in his first chapter reviews recent organizational analyses of corporate crime and notes the need for a nonindividualistic approach to corporate crime, the ensuing description of internal factors by middle management emphasizes the importance of a "cult of personality" rather than the dynamics of a social system.

Pressures on middle management, which were reported as influencing unethical but not illegal practices, and corporate culture, which was largely perceived as the ethical pattern set by the founder of the corporation, were regarded by middle management as less significant than the role of top management in establishing an ethical tone for the corporation. Moreover, middle management tended to attribute unethical and illegal practices to a "financially-oriented"—versus the "professionally/technically-oriented"—type of chief executive officer, who is presumably a greedy, ambitious, aggressive "go-go" type of manager interested in his own corporate achievement and publicity in financial journals and has limited concern for the corporation's long-term reputation. Clinard did not find any correlation between these responses by middle management and their perceived treatment by the corporation or their resentment of top management.

Surprisingly, middle management did not have much confidence in corporations' policing themselves, stating in 3 out of 4 cases that there was a definite need for government regulation that would keep ethical corporations conscious of their reputations and top management in line. In contrast to the perspective of a small sample of top management ascertained in Clinard's 1980 study, 9 out of 10 middle management subjects felt that top management should speak out publicly against unethical and illegal behavior within the corporate world. Three-quarters of the sample, however, did not believe top management should speak out against flagrantly unethical or illegal behavior of a specifically named corporation. In regard to their own ethical posture, 3 out of 4 middle managers would report serious worker safety violations, but the vast majority would not report price fixing, illegal rebates or kickbacks, and illegal foreign payments, which they felt to be the concern of top management.

Even though Clinard's subjects supported government regulation in general, they complained that government regulations were too numerous, too complex, and often unrealistic and unfair. All in all, Clinard's subjects not only suggest that the mere threat of government enforcement appears to serve as a deterrent, but, in accordance with other studies, that enforcement should be directed at top management, who carry the responsibility for much illegal behavior and who know about important violations before or shortly after they occur.

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COLMAN, JOHN. *John Locke's Moral Philosophy*. Pp. vii, 282. New York: Columbia University Press, 1983. $27.50.

WOOD, NEAL. *The Politics of Locke's Philosophy*. Pp. xiv, 241. Berkeley: University of California Press. $26.50.

The first of these books on Locke is a scholarly piece of work that painstakingly seeks to show that there was a far greater concern with moral knowledge in Locke than has been generally supposed. It also seeks to emphasize Locke's view that, in the sphere of morality, we can firmly expect to achieve certainty.

Colman makes clear from the start that Locke's moral philosophy is God-based, but he also makes it clear that Locke saw morality as being essentially a rational affair. It is God-based in the sense that God initially provides the moral law, but the means of access to this law is not through revelation, but through human reason. Though this remained Locke's view of morality, he never worked it out in detail. What Colman does is to gather together the scattered fragments of Locke's thinking on morality so as to provide a coherent picture. He does it very well, beginning with an early work of Locke's that is now generally known as the *Two Tracts*. This work brings out clearly Locke's legalistic conception of morality, that is to say, his conception of morality as involving knowledge of a body of law. It also reveals Locke's conviction that the moral law is knowable by all who persevere to understand.

In Chapter 2 Colman shows how these views provide the background for Locke's later work, the *Essays on the Law of Nature*, in which Locke more explicitly addresses himself to the character of moral knowledge and our means of access to it. An interesting feature of this chapter is Colman's careful handling of the tension in Locke between voluntarism and intellectualism. It is a conflict, in other words, between the view that certain things are right or good simply by virtue of the will of God and, on the other hand, the view that certain things are right or good in themselves. The problem is not, of

course, confined to Locke. Most will-of-God theorists are beset by this worrisome tension.

One of the negative thrusts of the *Essays on the Law of Nature* is the claim that the moral law is not a matter of innate knowledge. This issue is taken up within the context of Locke's more general inquiry into the origins of knowledge in his major work, the *Essay Concerning Human Understanding*. Colman devotes his third chapter to the topic. During the course of it, he suggests that innate morality now survives in the doctrine known as ethical intuitionism. I am inclined to think that this way of putting the point ignores certain important differences between the two doctrines. Nevertheless, the similarity is strong enough to justify some philsophical discussion of intuitionism, and this is admirably done.

Chapter 4 of Colman's book gives a brief account of Locke's enterprise in the *Essay*, showing why, in empirical matters, our claims to knowledge must often fall short of certainty. This summmary provides the background to the claim, explored in depth in Colman's Chapters 5 and 6, that in moral matters such certainty is more consistently achievable. The reason for this claim is the one well-known among readers of Locke—that moral truths are the subject of demonstration. Much of the remainder of Colman's book is addressed to an analysis of this claim, together with some speculation about the way in which Locke's thesis would have progressed had he pursued the subject. At the heart of this analysis lies Locke's contention that, in the case of moral descriptions, nominal and real essences coincide. That will be unintelligible to a reader unversed in Locke. Let me therefore hasten to add that Colman makes all things clear. Indeed, his ability to make Locke's position clear is a general feature of the book. Anyone who, while wishing to know something about Locke's thoughts on morality, also wishes to obtain a more general overview of Locke's philosophical position, should buy a copy of Colman.

In the second book listed, Wood takes the view that there is an important aspect of Locke's main work, the *Essay Concerning Human Understanding*, that has been neglected or ignored. The prevalent view has been that the *Essay* is the work of a "detached, disinterested, and transcendent truth-seeker." Wood seeks to redress the balance by showing that, in a broad sense, the *Essay* was also and equally a political work. That is, it is the work of one who saw his philosophizing as being intimately related to life in civilized society. "The *Essay* helped to educate and create a class and, by implication at least, called for class action." More generally, the *Essay* was designed to help people think and reflect more clearly and thus to act more effectively.

Since Wood holds that Locke's thought is so intimately bound up with the society of his time, it is not surprising that he provides a good deal of information about that society, the influence at work in it and upon Locke. He also spends some time, in Chapter 3, indicating at what section of society Locke's *Essay* was aimed and—a separate question—what sections it actually reached. In short, Wood shows, in a most interesting and informative manner, that the *Essay* had an audience that far exceeded anything Locke could have imagined.

Chapter 4 is especially important to Wood's thesis. In it, he convincingly shows how deeply Locke was influenced by Francis Bacon. Just as it was a feature of the latter's thought that it was not simply a detached and abstract scientific method but, rather, "a way of perceiving life as a whole," so this feature became a part of Locke's thinking. Locke saw himself as writing for the practical man who wished his actions to be well informed. In short, Locke is guided by the principle that wisdom in human affairs increases in proportion to the degree of knowledge and understanding we have of the way in which human beings function.

This is a clear and well-written book, well worth reading, especially by those who are interested in the social setting of which the *Essay* was a product and upon which it had so much impact. I have lingering, and strong, reservations about Wood's central claim that

the *Essay* itself is a political work. It seems to me that this involves a straightforward distortion of the term "political." But then I also hold that everything that is worthwhile in Wood's book could have been said independent of that claim.

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HEINZ, JOHN P. and EDWARD O. LAUMAN. *Chicago Lawyers: The Social Structure of the Bar.* Pp. xxvi, 470. New York: Russell Sage Foundation and American Bar Foundation, 1983. $32.50.

John P. Heinz is professor of law and urban affairs at Northwestern University and executive director of the American Bar Foundation. Edward O. Lauman is chairman of the sociology department at the University of Chicago and editor of the *American Journal of Sociology*. Their book, which is a unique and sophisticated analysis of lawyers' professional lives, charting the distribution of power and status within the legal establishment, is copublished by the Russell Sage Foundation and the American Bar Foundation. Using sophisticated research methods, they have produced an extremely powerful analysis, a landmark study.

The data are drawn from personal interviews with 777 Chicago lawyers, randomly selected from among the full range and variety of the city bar. Whether or not Chicago lawyers are typical must be determined by replications of this study in other cities, but Heinz and Lauman make a good case that the Chicago bar is not unrepresentative in any fundamental respects. In any event, the Chicago bar is an interesting and important case in its own right.

Heinz and Lauman proceed by using fields of law as the primary units of analysis rather than the conventional focus on individual lawyers. Conceiving these fields as distinct roles performed by lawyers, the authors analyze the structure of the profession in terms of these roles. The central thesis that emerges is stated as follows:

> The social structure of the legal profession is not primarily determined by the cognitive base of the profession, by the doctrinal categories of the law or by the types of arcane training or skills used by lawyers, nor by other interests or values that arise within the profession itself, but rather by the character of the clients served by the different sorts of lawyers and by ties to related social groupings external to the profession, including ethnoreligious and political groups (p. 26).

More specifically, the authors argue that there are two professions, or "hemispheres": lawyers who serve individual clients and those who represent large organizations, mainly corporations. The profession is stratified primarily by the character of the clients served, not by the type of legal service rendered—and attorney prestige is a function of client prestige. Lawyers who serve one type of client seldom serve the other, and a lawyer's political, ethnoreligious, and social ties correspond closely to those of his or her clients. Lawyers representing large organizations tend to be white Anglo-Saxon Protestant graduates of elite law schools; lawyers representing individual clients tend to be graduates of lesser law schools and to come from less prosperous socioeconomic backgrounds. The former acquire power by association with their powerful clients and are shown greater deference both within and outside the profession. Finally, intraprofessional organizations such as law schools, courts, and bar associations do not effectively integrate the two distinct hemispheres.

In short, it is the conclusion of the authors that although all professions include disparate parts, no others are as sharply bifurcated as the bar. And the stratification of the profession so carefully and convincingly demonstrated in this book carries with it a "corresponding stratification of the law into two systems of justice, separate and unequal."

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HELLER, AGNES. *A Theory of History*. Pp. viii, 333. London: Routledge and Kegan Paul, 1982. $35.00.

McLENNAN, GREGOR. *Marxism and the Methodologies of History*. London: NLB, 1982. Distributed by Schocken Books, New York. $24.00. Paperbound, $9.50.

Reading these volumes, one comes away with the feeling that today's Marxist-oriented intellectuals are much less sure of themselves than at any time in recent memory. For the past several years, if not decades, social and political events around the world have not been evolving in predicted directions, and varieties of socialist/communist movements have failed to live up to eschatological expectations. Numbers of heretofore confident Marxist scholars seem to be genuinely worried, even to the point of wondering if there can any longer be a viable Marxist perspective. Both Agnes Heller and Gregor McLennan appear to share these concerns, and they have chosen to emphasize different themes in attempting to firm up the essentials of Marxist thought.

Agnes Heller's book is by far the more philosophical of the two. Her arguments derive from six stages of changing historical consciousness. In modern times, claims Heller, we are moving from confusion in historical consciousness to a consciousness of reflected generality: human beings, more than ever before, must express their rationality and assume planetarian responsibilities in overcoming evil forces of various kinds. In order to assure the success of this new consciousness, we must understand that philosophies of history cannot be handled with past mental rigidity. We must train ourselves to think of philosophies as theories of historical movement and change. To quote Heller: "In the theory of history, *Ought* is inferred as only an idea, not as the highest *reality:* it renounces the traditional philosophical identification of *ens perfectissimum* and *ens realissimum.*" In seeking a new planetary rationality, then, intellectuals cannot be as doctrinaire in their reasoning, and they must learn to appreciate definable tendencies in the movement toward utopia—according to Heller, a state in which all human needs are not only recognized but fully enshrined according to "*the priorities of their need-satisfaction.*" And utopia will be brought about, concludes Heller, through rational debate and discussion.

While Keller's book is a sweeping, if not unduly optimistic, assessment, McLennan's study could be described as more modest in scope and conclusions. Addressing "the so-called crisis of Marxism," McLennan eschews any hesitancy, softening of guidelines, or death pronouncements regarding the concept of historical materialism. He then ranges through an immense number of Marxist and non-Marxist epistemological writings in urging a greater fusion of interests between historians and philosophers. Historians, it is insisted, must not stand off from the logic of historical materialism simply because critics claim that it represents "causal *monism.*" Rather, they must comprehend it as "a conception of *structural causality,*" as a tenet central to a more realistic explication of what is invariably less-than-complete historical knowledge. In turn, philosophers too often "avoid substantive commitment and historical contextualization" in their writings. Specifically, they must become more realistic in the fusion of history and theory. Such will draw both groups more closely together in the quest for a more meaningful—and revived—Marxist intellectualism.

Neither of these books could be described as light reading. Too often, the authors express themselves in needlessly convoluted prose and all but get lost in discussing many of the concepts that they are attempting to enunciate. This lack of clarity may well reflect the problem facing a number of Marxist scholars, that of an unsure calling in a postindustrial milieu. At the same time, Heller's strength lies in eschatology, and McLennan's is in epistemology. Together, these volumes do represent a clear challenge for many scholars, whether of Marxist or non-Marxist persuasion. In particular, the

former group will no doubt find these studies to be both stimulating and provocative.

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LIPSET, SEYMOUR MARTIN and WILLIAM SCHNEIDER. *The Confidence Gap: Business, Labor, and Government in the Public Mind.* Pp. xxii, 434. New York: Free Press, 1983. $19.95.

Men, Alexander Hamilton wrote, "are ambitious, vindictive and rapacious." In a corollary statement James Madison opined,

> But what is government itself but the greatest of all reflections on human nature? If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary.

Lipset and Schneider, in their comprehensive survey and analysis of politically relevant polling in America, beginning with the first Gallup poll in 1935 through to the present, demonstrate conclusively that the Founders' Hobbesian-like appraisal of mankind was no passing vagary. To the contrary, this distrust of the human passions is preserved as a basic sentiment of contemporary American public opinion. In collating and summarizing multitudinous polls of American attitudes towards major public and private institutions, as well as opinions on critical political, social, and economic issues, this work suggests that the American mind has internalized Federalist principles to a degree of intensity rivaled by few other political ideologies.

The authors' main finding, amply illustrated and documented, is that public trust and confidence in government, business, and labor has declined markedly since the middle sixties. They stress, however, that public disfavor does not condemn institutions per se, but is reserved for the officials who run them. While Madison accepted the unpleasant reality of human nature and as a result concluded that "ambition must be made to counter-act ambition," Americans today consistently frown upon narrow, self-seeking conduct. Americans denigrate, in other words, the behavioral assumptions of their constitutional system. Public opinion would therefore appear to be in this sense schizophrenic. The public perceives varying degrees of competitive, incompetent, greedy, and corrupt behavior among institutional elites. Yet it continues to validate and confirm the virtues of the general system, while deploring at the same time its premises. Thus big business, particularly the oil companies, may be rated poorly, but the system of free enterprise enjoys overwhelming support. And while labor leaders may be ranked for ethical standards just ahead of car salesmen, the function of unions in the economic system is not seriously questioned.

The decline of public confidence, it is pointed out, has resulted in a malaise with several plausible effects. Politically, this could mean, as Jimmy Carter complained, that it is now more difficult for elites to govern. Another noteworthy phenomenon is the conspicuous deterioration in the electoral participation rate. And the tax revolt too seems like a direct reflection of the distrust of government. Interestingly enough, Lipset and Schneider find that support for government programs, social welfare services included, remains high despite the general drop of confidence and trust in government.

As this book demonstrates, never before has the political pulse of a nation been monitored so often and so meticulously. The prodigious energy and capital invested in polls makes them a marvel to behold. A book that takes seriously the entrepreneurial enterprise and effluence of polling, as does this one, might be expected to ponder the sociological and political implications of polls as a major institution. Unfortunately, there is no such discussion here.

A concluding chapter raises the question of whether the present confidence gap translates into a current legitimacy crisis. It is found, though, that Americans express rela-

tively little dissatisfaction with their personal lives and believe that the shortcomings of their institutions can be corrected through a change of elites. For these reasons it is claimed that general support for the system remains intact. Accordingly, on the basis of a simplistic definition of legitimacy, "the capacity of the system to engender and maintain the belief that the existing institutions are the most appropriate ones for society," Lipset and Schneider argue that at this time there is no crisis of legitimacy.

There has been, however, a great deal of critical discussion of the concept of legitimacy since Lipset first popularized his definition in 1960. If the sophistication that Lipset and Schneider bring to bear on the problem of interpretation of polling data had been extended to a reappraisal of the concept of legitimacy used here, the important question of crisis might not be so easily dismissed.

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MUNLEY, ANNE. *The Hospice Alternative: A New Context for Death and Dying.* Pp. xviii, 349. New York: Basic Books, 1983. No price.

Designed for the terminally ill, hospice care emphasizes the physical, mental, and emotional needs of the patient; involves the patient's family and friends in his or her care; and seeks to provide a positive alternative to the frequently alienating experience of death in modern society's high technology hospitals. Using her skills as a sociologist and her special insights as a member of a Roman Catholic religious order, Anne Munley covers certain dimensions of the hospice world in greater depth than the handful of earlier works on the hospice, which are concerned with explicating the philosophy of the hospice or describing the medical management—especially by providing palliative care—of the dying patient. Munley describes her work as an

> effort to see what real people in a hospice situation see, to know what they know, to think what they think, and feel what they feel. At the same time I tried to note formal features, processes, and patterns that characterize a hospice as a social world [p. xii].

In addition, Munley considers at length spiritual care giving that many involved in the hospice movement consider one of its most important components.

Munley succeeds in revealing the intense world of Pennwood Hospice—a pseudonym for the center at which she did most of the field work—for its patients and their care givers, including staff, family, friends, and volunteers, as life moves toward death. One wishes she had devoted the entire book to this endeavor. However, the hospice is new to American society, the first hospices being founded in the early 1970s, with an estimated 1200 now in existence. In addition, few books have been written on the subject. For these reasons, those contributing to the field feel compelled to review the history of the movement, the modern version of which started in England in the 1960s; to honor its founder Cicely Saunders; to explain the goals of hospice; to expound its merits; and to speculate on its future organization and funding.

Munley also devotes attention to these matters both in the chapters and in appendices on standards for a hospice program, how to find a hospice program, and references on the hospice. To those who are newcomers to the hospice these sections are informative; to those within the hospice movement, they are repetitious. If Munley had concentrated on presenting the substantive findings of the fieldwork she did, the book would be a greater contribution to sociology in general, and to the hospice field in particular. However, the merits of the book outweigh this problem. Although not new, Munley's discussions of the segregation of death in modern society and of the greater complexity of the stages of dying than those identified by Elisabeth Kübler-Ross are of special inter-

est. Her analysis of the differences between the hospice in England and America is a contribution, especially in showing how patients and care givers at Pennwood Hospice accommodate one another's diverse religious beliefs and ethnic backgrounds.

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ROSENBLATT, PAUL C. *Bitter, Bitter Tears: Nineteenth-Century Diarists and Twentieth-Century Grief Theories.* Pp. xiii, 201. Minneapolis: University of Minnesota Press, 1983. $25.00. Paperbound, $12.95.

In this slim volume Paul Rosenblatt carefully analyzes 56 nineteenth-century American and Canadian diaries in an effort to amend and clarify contemporary grief theories, especially those that rest on Freud's definition of grief work. In "Mourning and Melancholia" Freud defined normal grieving as an intense and demanding struggle in which the libido is progressively detached from the loved object. Two words are key here—"normal" and "progressive." In Freud's view the grief process does not proceed automatically to completion and is always in danger of being blocked or reversing itself. When this occurs, Freud believed, when the attachment of the libido does not progressively decline, the griever becomes suspended in the pathological state of melancholia.

While accepting that normal grieving must eventually lead to libido detachment, Rosenblatt takes issue with the notion that such detachment must be progressive in order not to be pathological. Through an analysis of both the intensity and patterning of diary entries subsequent to the initial recording of loss, he concludes that the normal course of grief is more often recurrent than progressive. Moreover, he argues that the defense mechanisms that grievers often employ to suspend grief occasionally are not maladaptive, as many psychologists believe, but functionally necessary because most grievers cannot completely withdraw from everyday life.

At bottom, then, *Bitter, Bitter Tears* is a plea for a less rigid and more sociologically sensitive understanding of the varying rates and patterns that characterize the way bereaved persons work through their grief. Grief work, Rosenblatt argues, is erratic and is made so because it is affected not only by elements of the psyche but also by events and objects in the griever's social environment.

Many readers will find this and Rosenblatt's other arguments attractive and sensible. Yet they will also find that *Bitter, Bitter Tears* provokes some troubling questions about the evidence it uses. Are the often cryptic entries of 56 diaries an adequate data base on which to construct an amended theory of grief work? Are not diarists a rather unique subset of society? And can we trust them to record their feelings accurately? To be fair to Rosenblatt, it should be noted that he seems acutely aware of these questions and raises them himself. Yet he never satisfactorily answers them and ends his study with a rather odd request that his readers make a leap of faith. How many readers will be willing to make that leap remains to be seen.

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ECONOMICS

CARDOZA, ANTHONY L. *Agrarian Elites and Italian Fascism: The Province of Bologna 1901-1926.* Pp. xvi, 477. Princeton, NJ: Princeton University Press, 1983. No price.

Anthony L. Cardoza's book on agrarian interests and provincial fascism offers a novel and challenging interpretation of Italy's drift to dictatorship after World War I. He takes issue with traditional explanations that

describe Mussolini's regime as a condominium between urban businessmen of the north and backward landowners of the south. Elaborating upon recent critiques of the historical-alliance argument by Adrian Lyttelton and Paul Corner, the study places commercial leaseholders in the scholarly spotlight. Lacking a cohesive elite of aristocratic landowners or a stable population of peasant cultivators, Bologna with its wage labor force presented a most compelling case of class relations in the capitalist mold during the Giolittian period. Cardoza analyzes the rift between the old landed notables there, who sought to maintain traditional patterns of social relations within the liberal polity, and their ambitious lessees who gained power, prestige, and property after intervention in 1915. This new guard of agricultural entrepreneurs provided stimulus and support for the Blackshirts during the seizure of power. Search for private profit and hostility to trade unionism, according to Cardoza, drove rural employers first to pursue vigilante tactics and finally to advocate corporative controls.

Cardoza presents a structural approach to the study of fascism, and his book begins more than two decades before the March on Rome. He rightly argues that employer dissatisfaction with liberal governance took a turn to the right during the first premiership of Giolitti. Agrarian and industrial elites then looked to the authoritarian nationalist movement, but the postwar advance of organized labor in the countryside pushed Bolognese farmers further to reaction. Cardoza takes full advantage of exceptionally rich primary sources and skillfully integrates his local story with events on the national scene. *Agrarian Elites and Italian Fascism* results as an important and original analysis of the relationship between Mussolini's movement and agricultural capitalism.

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CLARK, TERRY N. and LORNA C. FERGUSON. *City Money: Political Processes, Fiscal Strain, and Retrenchment.* Pp. ix, 440. New York: Columbia University Press, 1983. $37.50. Paperbound, $15.00.

Clark and Ferguson have put together in book form the most extensive information to date on the fiscal strains and retrenchment activities of 62 cities. The source of much of their data is the Permanent Community Sample initiated in 1966 by the National Opinion Research Center at the University of Chicago. The major advantage of the sample is the provision of data on a continuing basis.

In collecting and analyzing data, emphasis is placed upon three categories of citizens—poor, nonpoor, and municipal employees—and four political cultures—New Deal Democrats and Republicans, ethnic politicians, and new fiscal populists. In addition, three concepts of fiscal strain are explicated. Particularly valuable are the appendices on data sources, sampling, and measurement; model specification and statistical methods; correlation matrix; functional performance analysis; and problems with municipal fiscal data.

The reader of *City Money* will gain a greater appreciation of the political dynamics involved in cities undergoing fiscal strain and their responses to such strain. I found Clark and Ferguson's caveats regarding accepting the conclusions of other studies and drawing conclusions to be very helpful as they emphasized the diversity of the 62 cities providing data for the analysis. The functional performance analysis of the sample cities contained in this book is essential if a comparative cross-city study is to be undertaken and valid conclusions drawn. A comparison of the fiscal data of various cities is of little value unless one knows the functional responsibilities of the cities. Clark and Ferguson also expose the "incompleteness of economic determinism" and question the value of municipal bond ratings as indicators of municipal fiscal health.

Does *City Money* suffer from weaknesses in analysis? The answer is in the affirmative.

A major problem is the broad scope of what is a relatively short book if the appendices are omitted. It is apparent that the limited text is based upon a large amount of data collected in 62 cities, but explanations often are brief, and not all variables are examined thoroughly. Furthermore, information should be provided over a longer period than the time frame of *City Money*. There is a long history of municipal fiscal strain in the United States, and of successful and unsuccessful attempts to deal with such strain.

While the functional performance index is a valuable addition to the literature, Clark and Ferguson made no attempt to measure the efficiency of the performance of the various functions in each city. Poor performance on one or more major functions may be a principal cause of fiscal strain.

The authors stress the importance of studying state and federal laws affecting cities, but their treatment of local discretionary authority is cursory. It would have been most helpful if they had related their findings to the relevant indices contained in *Measuring Local Discretionary Authority,* published by the United States Advisory Commission on Intergovernmental Relations in 1981.

Parts of the last two pages appear to have been tacked on to the manuscript at the last moment. The six short paragraphs on mechanisms "which states have used to facilitate market access and lower interest rates" are too brief to be of value. To cite one example, mention is made of state bond banks, but no reference is made to the use of such banks and the total nonuse of the New York State Municipal Bond Bank.

The book's shortcomings may be a product of the authors' over-ambitiousness or editorial directives. But these shortcomings do not detract from the basic worth of the book in explaining the nature of and response to fiscal strain in the cities examined.

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HERRING, RONALD J. *Land to the Tiller: The Political Economy of Agrarian Reform in South Asia.* Pp. xi, 314. New Haven, CT: Yale University Press, 1983. $30.00.

In South Asian studies a pattern of country specialization has hardened. At a finer level for India, regions, states, and smaller units have attracted narrow bands of devotees. The time may be ripe to set as a frame that South Asia is a separate part of the world, possessing geographical, historical, and social uniqueness, and worth looking at as a whole. Yet, there is sufficient variation across countries to permit provocative comparative treatment.

There is nothing more important in South Asia than land. Land yields food; control of land and food is power—individual, group, and national power.

What Herring has done is provide a searching review of certain aspects of land tenures and reforms in India, Pakistan, and Sri Lanka—thereby dealing with the most important topic in the subcontinent. He has considered this part of the world as a totality and he is comparative. He draws heavily on years of field experience and is fully versed—perhaps overversed—in the extant literature. This sound mode of attack has created a book that will be of considerable interest to anthropologists, political scientists, economists, and policymakers and must find residence on the shelf of any serious student of South Asia or land reform.

The core of the book reviews Sri Lanka's Paddy Lands Act; land ceilings in Pakistan, India, and Sri Lanka; and Kerala's land-to-the-tiller programs. The first two chapters examine the use of policy models in designing land reforms and applying them. Herring does a fine job of identifying the conceptual pitfalls associated with land tenure analysis, treating the problems of implementing weak-kneed reforms via often disinterested bureaucracies and lamenting the burdens—such as initiating court actions and untoward consequences imposed on the supposed beneficiaries. Many of these difficulties are summarized in the question, Can liberal states or

fragile oligarchies—with conservative judiciaries sensitive to property rights—in which landed elites have major political weight, implement successful, gradualist land reforms? Perhaps the surpise is that they even try.

The final three chapters on the politics of land reform, the economics of land reform, and the case for land to the tiller are commendable.

Criticism lies in four directions:

1. The tone of assessment is profoundly—really too—negative until a late passage admits that tenure reforms and particularly ceilings have made some difference.

2. The problem of what to do with terms like "class," "feudal," and "exploitation" is never resolved—footnote apologies abound.

3. Having touched base with all appropriate authorities and ideologies, Herring succumbs to employing numbing jargonish overkill. The book often sounds like it was written by a multidisciplinary committee guided by peculiar voting rules that robbed it of the power to eschew any term or idea whatsoever, yielding a product that reminds one too often of Carmen Miranda's fruited hattery.

4. There is no controlling macrosocial process specified to structure the microanalysis, a failing best illustrated in Herring's total incapacity to come to grips with the brute fact that there are now far too many people in rural South Asia for land redistribution to provide adequate livings for anything like most of them. And they are multiplying while the land is not.

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ROOSA, ROBERT V., ARMIN GUTOWSKI, and MICHIYA MATSUKAWA. *East-West Trade at a Crossroads: Economic Relations with the Soviet Union and Eastern Europe.* Pp. vi, 119. New York: New York University Press, 1982. $15.00.

This study was authorized by the Trilateral Commission to evaluate the potential for cooperation and mutual benefit of trade between the Trilateral Nations—the United States, Europe, and Japan—and the Soviet bloc. The constraints of contrasting political systems and strategic, military aims of these two world communities restrict the potential gains of free trade between their respective member nations. The spirit of détente led to mutual endeavors, and East-West trade expanded sixfold during the 1970s. This rapid growth of economic integration has raised questions about the political, military, and economic consequences of further interdependence between and among the member nations of these two world communities. The policy framework for trade explicitly recognizes the limitations of economic relations that could damage the military or strategic capability of either side. The obvious environment is that détente may not be in force with respect to military or foreign policy positions in the 1980s; however, the mutual benefits of expanded trade between these parties can be advocated with appropriate safeguards to protect the strategic positions of both sides. The romantic hopes of détente are replaced with realistic programs that, through economic interdependence without dependence, can lead to a peaceful coexistence with mutual gain. The implicit thesis of the study is the mutual benefits to nations following the principle of cooperative advantage.

The conclusions of the study center on the benefits that can result from expanding trade with the Soviet bloc. The first conclusion is that expanded trade would not weaken Western security given the expansion of a trilateral agency to continue a veto right to prohibit technological exports that would enhance the Soviet military position; the existing informal procedure of a gentleman's agreement to restrict the flow of technology is inadequate. The second conclusion is that the economic dynamism of Western economies will ensure the continued economic superiority of the West; this includes a proposal for a unified approach to bring a cooperative framework on issues of sanctions, trade limits, and credit arrangements via existing international agencies or new

alignments among Western nations. The final conclusion is that expanded trade would provide valuable markets and resources for the West. The areas for obvious trade expansion are energy, agriculture, and technology. The factor endowments of the two communities are such that the gains are significant for both without sacrificing the strategic position of either by prudent diversification of sales and purchases. This last conclusion could be enhanced with an expanded financial system to extend credit without a barter system due to the nonconvertible nature of many Eastern country currencies.

The history of East-West trade is most interesting. The grain embargo by the United States and the conflict with European allies on the Urengoi pipeline demonstrate the weakness of diplomatic or economic measures as sanctions to punish adversaries for their behavior. To pursue sanctions that damage our economic interests or our allies without adversely affecting our political adversary is to shoot ourselves in the foot. The grain embargo shows the ultimate fallacy of grain as a weapon. Expanding trade with the East is a much more effective weapon given that political, military, and technological consequences can be best achieved with multilateral agreements. This is a most insightful and persuasive argument. The noneconomist can comprehend the concepts, and the economist can learn of the need for political integration.

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WEINSTEIN, BARBARA. *The Amazon Rubber Boom, 1850-1920.* Pp. xi, 356. Stanford, CA: Stanford University Press, 1983. $29.50.

In the rapidly developing literature on neocolonial development in the Third World, a series of recent studies of the Brazilian economy has provided important clarification of the relations between indigenous socioeconomic life and international capitalist systems. Barbara Weinstein's original and rigorous study of the flamboyant rubber era in Brazil is a welcome addition to the discussion, particularly as it provides one of the first important studies of a region that now faces massive ecological disruption. Previous, more superficial discussions of the Amazonian rubber boom of the late nineteenth century noted that it was suddenly ended around 1910 by Britain's successful introduction of more efficient plantation rubber from Southeast Asia. They asked why the Brazilian rubber industry failed to modernize to match its competitors' efficiency. Weinstein provides a convincing answer, by concentrating less on the role of international finance capital than on the peculiar system of Amazonian rubber production and marketing, a system so complex and decentralized that nothing could make it more efficient, especially not the modern business methods of foreign investors.

The task of reconstructing the system was by no means easy, for archives on Amazonian history are more limited than on other regions of Brazil such as Sao Paulo and its hinterland, where the coffee boom, based similarly on production for world markets, did contribute in a major way to sustained industrialization. In order to supplement scanty state and municipal records in Amazonia, Weinstein slowly constructed a composite picture of land ownership and use through files of business contracts and debt agreements, and records of land sales and estate inventories.

The resulting picture of rubber extraction begins with the subsistence-based rubber tapper, often an immigrant from the poverty-stricken Northeast, who searched each stretch of jungle for its occasional *hevea* tree. He then sold his accumulated rubber to an itinerant trader in the employ of commercial firms in Manaus or Belem, who could control the price paid to the tapper and who was the tapper's source of both commercial goods and food to supplement a meager home-grown diet. This system of production and credit, stretched thin over a vast landscape, easily resisted all efforts of urban and

foreign capitalists to streamline production methods and lower costs in the face of Asian competition after 1910. Furthermore, although the boom years produced concentrated opulence in Manaus, they did not lead to local industrial development for regional markets, or even much development of transport or sustained agricultural expansion. Consequently, the long-term impact of the rubber era on Amazonia was minimal. Several hundred thousand immigrant tappers and traders remained, "wiping out whole tribal cultures" and maintaining a network of small-scale commerce. But the real boom in Amazonian development began only in 1953, when massive governmental resources were turned toward developing the region.

In the long run, as Weinstein concludes, in the intricate balance of Amazonia ecology the failure to turn rubber extraction into a monocropping plantation system meant minimal disruption of the biome. This contrasts dramatically with the plantation production of coffee farther south, which, as Stanley Stein and Warren Dean have shown, disrupted both vegetation and soils irreparably. The high cost of development in the coffee region was not paralleled in Amazonia until the 1960s.

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WHYTE, R. O. *The Spatial Geography of Rural Economies.* Pp. viii, 286. New Delhi: R. Dayal, Oxford University Press, 1982. Rs 125.

The central thesis of this volume is that spatial geography—in addition to physical geography and biogeography—can contribute significantly to our appreciation of the nature and development of rural economies. Whyte examines the rural economy primarily in terms of its spatial organization, which comprises such interrelated aspects as the pattern of land uses, the functional hierarchy of settlements, the structure of the marketing system, the transportation network, the geographic form of innovation diffusion, and so forth. Numerous examples of such a spatial structure are provided from rural economies in monsoonal and equatorial Asia, and particular importance is attached to the role of spatial structure in influencing the direction and level of development within a rural economy.

It is frequently asserted that a rural economy may have certain deficiencies in its spatial structure, for example, a general dearth of rural market towns, one or more inefficiently located centers, or gaps at the intermediate level of the settlement hierarchy. While consideration is given to the ways in which these inadequacies can inhibit development, questions as to why the settlement system should have emerged in this manner, or how planners might respond to such problems, remain largely unanswered. A further question remaining unanswered—but perhaps wisely so unless nation-specific information on value systems and policy objectives is available—concerns the problem of whether national planners involved in assisting backward rural economies should rely on the trickle-down effects of economic growth in major metropolitan centers and prosperous regions, or attempts should be made to stimulate development directly within the rural areas—a version of the familiar top-down-versus-bottom-up debate.

The volume suffers from a definite weakness of organization. Of the five chapters, two are devoted to detailed case studies of selected rural economies in India and China, while a third reviews at length the experience of rural planning in other nations. Such an organizational approach inevitably results in considerable repetition, which tends to obscure many of the worthwhile points being made. Had the material been arranged around major themes, a greater level of generalization could have been achieved and the arguments would have had considerably more force. The final chapter—entitled "Integrated Spatial Development"—is in some respects the most interesting. It attempts to highlight the major issues, but

unfortunately it is a case of too little, too late. This weakness notwithstanding, the reader will find much that is informative in the volume, and will probably accept Whyte's general argument that the analysis of spatial structure is of vital importance, not only for understanding the internal functioning of a rural economy, but in the framing of policies designed to raise the living standard of its population.

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THE WORLD BANK. *World Development Report, 1983.* Pp. x, 214. New York: Oxford University Press, 1983. $20.00. Paperbound, $8.00.

For an annual report emanating from a multinational bureaucracy, the contents, analysis, and even the presentation of statistical data of this work are superb. The format of the report has both strong aesthetic and interest appeal. My sincere congratulations go to the members of the staff who worked on the report and especially to the principal editor.

The report is divided into two main parts, with three support annexes. The first section is an overview of the 1980-82 world economic recession and prospects for recovery. Developing countries are grouped by the four following economic classes: low-income Asia, low-income Africa, middle-income oil importers, and middle-income oil exporters. For all members in each group and for all developing countries together, the section analyzes such issues as the terms of trade, protectionism, capital flows, servicing of international debt, returns on investment, and population growth.

Part 2, which is the longest section, relates to management in development. The main thrust of the chapters in this section relates to the benefits that can accrue to developing countries by means of allocating resources via the price mechanism. This presentation is mature and realistic—not just a plea for capitalism or playing the game of competition for socialist countries. The analyses are a blend of pricing for efficiency, given bureaucratic, social, structural, and political constraints. The aesthetic and interest appeal of the report are strong in this section. Within the broad analyses of topics that include adverse affects of price distortions, the costs of noneconomic goals, managing state-owned enterprises, and making bureaucracies responsive, are light blue inserts, called boxes, that present relevant and timely examples of the topics discussed. A sample of the contents of these short essays include "Personnel Reform in Bangladesh"; "Brain Drain, Who Gains?"; "Corruption"; and "Decentralization in a Socialist Economy, Hungary."

Although one annex is called a technical appendix, it is not technical; it contains clear and concise explanations of the various growth rates used in the report. Next is the bibliography, with an unusual but appealing format. Sources are noted for each of the eleven chapters by acknowledgments to researchers and other institutions. Then there is an alphabetical list of authors. The last appendix is statistical. Colorful maps are used to show differences in population growth, per capita GNP, adult literacy, life expectancy, and so forth among countries. This part also provides about 50 different economic and social indexes for 125 countries. The countries are listed by economic and political characteristics, with an aggregate number for each group, rather than alphabetically.

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Special Editor of this Volume

GENE F. SUMMERS
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PREFACE

The sluggish economy has drawn attention to plant closures and their consequences. In actuality, corporate disinvestment in U.S. manufacturing establishments is not a new phenomenon attributable solely to the recent recession. To the contrary, shutdowns are dramatically visible outcroppings in the restructuring of the American economy. Rural industrialization is largely a residual vestige of an era in American economic history that is drawing to an end. In addition, many corporations are shifting their manufacturing activities to locations outside of the United States or are divesting them altogether. Those that retain their manufacturing lines in the United States are frequently operating in highly competitive markets and are therefore unstable firms that locate in rural areas to reduce the cost-price ratio. Shutdowns are a predictable consequence of this process of economic succession. Thus, serious questions are raised regarding the relationship between the state, the economy, and the welfare of workers and communities.

In this issue of *The Annals* attention is focused on three aspects of the deindustrialization debate: the nature of the restructuring, its effects on workers and communities, and alternative policy options to deal with economic restructuring. In addition, two articles are included that describe recent experiences in Sweden and Britain and provide a comparative perspective that enlightens our consideration of the U.S. involvement in the restructuring of the world economy.

RESTRUCTURING THE ECONOMY

Capital mobility is the sine qua non of economic development, according to many economists. Without the freedom to invest, disinvest, and reinvest, capital cannot be used efficiently in the pursuit of its highest use value. Its movement from sector to sector and region to region must be unrestrained in order to ensure economic progress through a process Joseph Schumpeter referred to as "creative destruction." More recently, economic analysts such as Lester Thurow argue that America's economic malaise is the result of too little capital mobility, not too much.

Critics argue that the free flow of capital investments continually engenders the desertion of some areas, spatially and sectorally, while opening new areas of production. The result is a continual restructuring of the economy, the territorial division of labor, and the local social structures to the benefit of owners of capital and at the expense of workers and communities.

In today's world economy, the movement of capital and the accompanying restructuring processes have little regard for national boundaries. Capital markets clearly are international. Their operation is producing a new international division of labor in which production of goods—especially labor-intensive production processes—is being shifted from advanced industrial nations, such as the United States, to less-developed and nearly developed nations. These international shifts also are restructuring the domestic economy, which is apparent in the relative decline of manufacturuing. It is this diminution of the traditional strength of manufacturing that is popularly referred to as "deindustrialization."

What happened to American agriculture is now happening to manufacturing, or at least some portions of it, as the articles by Harris, Yago and his associates, and Bluestone indicate. Overall, factories are producing more goods with less labor, just as farms produce more crops with fewer farmers.

This process raises the question of whether there are sufficient replacement jobs for factory workers rendered redundant by the restructuring. According to Harris, replacement jobs are lacking in several manufacturuing industries. Moreover, Bluestone presents evidence to suggest that growth in other sectors—nonmanufacturing—is not great enough to absorb the surplus labor, even with retraining and/or relocation. This also has been the experience in Britain and Sweden, as Rose and his colleagues and Gonäs point out.

The mismatch of lost and replacement jobs along spatial, gender, race, skill, and income dimensions has serious implications that extend far beyond reshaping the industrial profile of the American economy: regional inequality, abandoned communities bidding up the subsidy cost of new industry, an increase in the prevalence of the working poor, the emergence of a blue-collar aristocratic class coupled with the presence of an enlarged permanent underclass, underemployed men threatening the recently established position of women in the labor force, and a weakening of organized labor's ability to negotiate. The shortfall of replacement jobs heightens these social implications because it impacts the same dimensions in an additive fashion. Some of the potential social and political consequences are explored at length by Rose and his associates based on the British experience with deindustrialization, which predates the U.S. experience by at least 10 years.

WORKER AND COMMUNITY WELFARE

Plant closures are always disruptive to the displaced workers, their families, and the abandoned community. Loss of a job usually creates an economic crisis in the worker's household that demands ameliorative action and is accompanied by psychological costs to the worker and family members, especially when a comparable replacement job is not found promptly in the same community.

The pattern of economic coping is described by Root as following a fairly clear and logical sequence of adjustments. Where possible another wage earner—a previously unemployed spouse or older child—is sent into the market. In addition to seeking a substitute income source, there are cutbacks on expenses. This often means reduced social contact with friends and relatives, since social affairs usually cost something. Often there is postponement or forgoing of basic needs: health care, clothing purchases, nutrition, recreation, home maintenance, and family vacations. Home mortgages, automobile, and other installment commitments are jeopardized. Financial assistance is accepted from relatives. When unemployment and severance pay are exhausted, there is the final resort to public assistance: surplus commodities, food stamps, and welfare. The descent from respectable, wage-earning citizen to unemployed welfare recipient is a bitter pill for most displaced workers caught in the euphemistic safety net. Displaced workers traveling this road report many symptoms of psychological distress: dejected feelings of self-worth; a sense of fallen

social status among family, friends, and the community; boredom; and bewilderment. These feelings often are accompanied by marital disharmony and conflict and family instability. There is much frustration and anger. Under these circumstances, maintaining a positive, purposive plan of personal rehabilitation is quite difficult.

Obviously, the critical issues are the availability of replacement jobs and matching them with displaced workers. Gordus reports that efforts to assist the displaced worker's reentry into the labor force have taken three forms: job search, retraining, and relocation. Job search works best when other sources of employment are available locally; often that is not the case. Retraining is often difficult for older workers whose skills have been learned through years of on-the-job training and whose ability to acquire skills is limited and plagued by disuse. When retraining occurs, it can be costly and frustrating if there are no available jobs at the end. Thus relocation often is required of displaced workers.

Relocation works best when it is collectively bargained, but many displaced workers are not covered by bargained agreements. Less than 20 percent of U.S. workers are members of unions. And many labor-management agreements do not cover relocation rights. Moreover, displaced workers resist relocation, as is pointed out by Root, Gonäs, and Gordus. Those who do relocate are more likely to be white-collar workers, younger, better educated, and more skilled. Consequently, efforts to serve displaced workers have been fragmented and generally unsatisfactory; participation has been low and the results not very positive.

The advent of the Job Training Partnership Act (JTPA) and the association of several major labor-management displaced worker programs with the federal-state program indicate some movement to improve the services available to displaced workers. There is heavy emphasis upon training and placement. Unfortunately, funding for JTPA is inadequate to serve all displaced workers, with the result that they must compete for the limited number of positions. Participation will therefore be encouraged for those most advantaged, which Gordus believes will result in a large number of less-advantaged displaced workers being consigned to underemployment, unemployment, and permanent membership in the underclass.

The labor-management displaced worker programs hold more promise perhaps for workers employed by large companies and represented by powerful unions. The UAW-Ford agreement is described by Hansen, and the preliminary results of Ford's closure of its San Jose plant are encouraging. It is important to note that in the San Jose closing the UAW-Ford program made extensive use of federal and state assistance. The California Economic Adjustment Team, JTPA funds, and other programs under the auspices of the state of California and the local community were integral components of the San Jose experience. Thus we see here an example of one of the two models of responses to plant closures and major reductions described by Fedrau: the company model and the community-based model.

These models were developed largely under Fedrau's guidance during her years of working in California and with the National Alliance of Business. The California Economic Adjustment Team spearheaded the development of the private sector and community-based models and assisted in the enactment of state legislation. The

effectiveness of these models, as in the Hayward-Mack closing, has had a major influence on their adoption as the framework for labor-management programs and the passage of the Joint Training Partnership Act (1982).

Although the UAW-Ford experience in San Jose is promising, the community-based model may be more so for most shutdowns. Only a few large, multilocation firms whose workers are represented by a strong union have displaced worker programs similar to the UAW-Ford agreement. Thus, in most plant closures, the company model cannot be relied upon to serve displaced workers. Rather the task will fall upon the workers and their community. Therefore, under current policy, it is the community-based model that has the greater probability of use. Unfortunately, few state governments and communities have taken the necessary initial steps to assure its availability and implementation at those times when it will be needed.

Even where replacement jobs exist there are serious social and economic consequences of the restructuring. Many of the replacement jobs pay lower wages than those lost; retrained and relocated workers and their families suffer a reduction in standard of living. Many lost jobs are in sectors of the economy where men have dominated the work force while replacement jobs are in female-dominated labor markets. Unemployment statistics document clearly that racial and ethnic minorities suffer disproportionately in the restructuring process. In addition, replacement jobs often are far removed from the city or town where workers are laid off, making the matching of redundant workers and replacement jobs problematic, costly, and disruptive.

In spite of their far-reaching consequences, factory closings remain a private sector decision. Neither workers nor the community have a voice in the decision. Efforts to deal with shutdowns and displaced workers are therapeutic rather than preventive. This, of course, is the essence of a free-market approach to capital investment. Many service professionals who assist workers, their families, and communities affected by shutdowns and massive layoffs believe policies are needed to reduce the need for closures and redundancies and to allow community officials and affected workers a voice in the decision.

POLICY OPTIONS

The fundamental policy question is whether capital mobility and worker welfare can be separated. Is it possible to have unrestrained capital mobility and at the same time assure economic security for workers and community stability? Both are essential to the long-term economic health and social welfare of the nation. At the moment they are pitted against each other as if to say that only one can be achieved and then only at the expense of the other. But is that necessarily the only resolution of the apparent dilemma? Or is the dilemma inherent in free-market capital investment?

In such a system capital investment decisions are made to maintain short-term profits for firms in the private sector. Welfare of workers, stability of the communities in which work occurs, and the long-term health of the national economy are

regarded as costs to firms and therefore are to be avoided whenever and however possible. Management decisions are driven by a supreme commitment to the pursuit of lowest costs and highest short-term returns on investments. These pursuits result in frequent shifting of investments to take advantage of the latest advances in technology, lower regional or national wage rates, localities with less organized labor, expanding markets, the latest tax incentives, and so on.

The result has been a greater concentration of capital and an increased centralization of management control over capital investment. The multinational corporation is the ultimate organizational manifestation of this process. It has the ability—indeed, the obligation—to plan its investments without regard to national boundaries, regions, or industrial sectors. There is little evidence of loyalty to the economic well-being of the multinational corporation's home country. Capital investments are made to benefit the corporation and its share holders, who often represent several nations, irrespective of human and social costs.

This is the situation confronting all the advanced industrial nations today, including the United States. There are differences in the manner and extent to which national governments have taken steps to negotiate terms with the multinational giants. But all national governments are confronted with the enormous and seemingly intractable task of attempting to control a world economy that exceeds the territorial jurisdiction of its political and legal powers. There is no choice, however, except to engage the issue, for failure to do so clearly will lead to a further deterioration of the national economic and social welfare.

It is in this context that alternative policy options are proposed by Blakely and Shapira and by Hooks. Both call for a stronger role of the state, a more centralist intervention strategy. But Blakely and Shapira explicitly reject an industrial policy that would have the state intervene directly in favor of corporate capital. In its place they call for an approach "that explicitly emphasizes the needs and interests of the nation's workers and communities." Their proposal is an attempt to implement three principles: (1) an increased social control over economic change and investment built on social equity and human development, not just private profitability; (2) a greater role for communities in determining changes in their local economies in order to promote stability and quality of life; and (3) increased worker control and certainty over their livelihoods. While policies built on these principles clearly would depart from current policies, they argue that the principles are quite consistent with U.S. democratic ideology.

Hooks argues that alternative policy options have been implemented in nations throughout the Western world and provide a basis for comparing the strengths and weaknesses of several potential alternatives. On the basis of comparative assessments, he concludes that neither the industrial policy approach nor the social welfare approach is adequate when pursued singularly. Rather, he argues that proponents of both approaches must recognize their essential complementarity and join their efforts if either hopes to generate the political power required to put alternative policy options into practice.

The experience of Great Britain and Sweden, as described by Rose and his coauthors and by Gonäs, makes it clear that intervention by a strong national state

does not guarantee success in halting deindustrialization. Indeed, in the case of Great Britain, there has been a strong central state for many decades, and still it has suffered the hardest blows of deindustrialization. Sweden has had more success in softening the harshness of economic restructuring, but the strongest challenges may be yet to come.

A world economy that exceeds the political grasp of modern nation-states is a reality that produces domestic economic restructuring and threatens worker welfare and community stability. The shift from goods production to service provision as the dominant mode of employment has occurred as anticipated in the postindustrial society, but in many other respects the sparkling vision has become tarnished. Greater productivity through technology was expected to free workers from their mundance existence as factory automatons and allow them to pursue nobler endeavors in public and private service activities. Equality of opportunity was to be a right of citizenship alongside equality of services.

But the egalitarian hopes planted in the New Deal era and nurtured by the postwar decades of growth and prosperity are showing signs of wilting. The vision of postindustrial society is being transformed into a deindustrial reality.

One might expect that the shattered dreams for a better life in postindustrial society would lead to widespread public mobilization for stronger and more forceful government policies to resuscitate the public's hopes. But it is not happening. Indeed, the electorates of most industrially advanced nations have manifested a shift toward the political right. In England the Thatcher government, which presided over the deindustrialization of Britain for four years, was reelected with a massive parliamentary majority. Rose and his colleagues suggest an explanation for this anomaly. It lies in the fact that, even during deindustrialization with rising unemployment, most workers—75-80 percent—have jobs and most have also experienced rising living standards. Moreover, people view the world as complex and beyond their control or the control of their political party. A general political mood of pessimism, fatalism, and cynicism has settled over Britain. The current state of affairs is accepted with resignation and as inevitable.

Are there lessons to be learned from the British experience? Can the political powers of nation-states be reshaped to harness the giants in the world economy? Can we find a workable means of keeping capital mobile while also assuring the economic and social welfare of workers? Can the restructuring of the U.S. economy be managed so as to avoid placing the full burden of economic succession on the shoulders of workers and communities? These are momentous policy questions for the 1980s. Unfortunately, history will not wait for our answers. The events are under way; perhaps we can take actions to guide them.

GENE F. SUMMERS

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The Magnitude of Job Loss from Plant Closings and the Generation of Replacement Jobs: Some Recent Evidence

By CANDEE S. HARRIS

ABSTRACT: The convergence of the recent recession, a secular decline in the rate of growth, and the accelerating structural reorientation of the U.S. economy produced serious employment problems in the late 1970s and early 1980s. Since the mid-1970s, plant closings in large manufacturing firms have eliminated over 900,000 jobs a year, with rates of loss doubling in 1980-82 over the previous two-year period. Perhaps more important than the jobs lost are the number and nature of new employment opportunities created. Between 1976 and 1982 large manufacturing firms replaced jobs lost in closings at the rate of only 9 new jobs for each 10 lost. Further, the industries and geographic regions in which businesses are generating new jobs differ markedly from those losing jobs in plant closings and major layoffs. This mismatch in the loci of growth and decline has resulted in pockets of serious economic distress.

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NOTE: The views expressed are those of the author and should not be ascribed to the Brookings Institution.

THE priority accorded job-related issues at all levels of government has risen dramatically in recent years. The most apparent and immediate stimulus for this increased concern is the recent recession, during which unemployment rates reached a postdepression high of 10.8 percent in December of 1982. The length and depth of this recession reflected the convergence of several factors—a long-term secular decline in the rate of growth, a cyclical downturn exacerbated by restrictive macroeconomic policies, and an acceleration of the structural reorientation of the economy, resulting in very uneven distributions of growth and decline both regionally and industrially.

These economic conditions have engendered a number of difficult political and economic questions. Is America deindustrializing, or is this simply a deep trough in the business cycle? Is the economy experiencing a decline in manufacturing and other goods-producing industries, either absolutely or relatively? What are the implications of these changing conditions for the American economy as a whole and for the regions, industries, and workers comprising the economy?

The mounting public debate about these issues has elicited apparently conflicting evidence. On one hand, social scientists analyzing the U.S. economy from a very broad perspective largely dismiss fears of deindustrialization. A recent examination of the U.S. economy by Robert Lawrence found that the manufacturing sector performed rather well compared to other advanced industrial economies during the decade of the 1970s.[1] Between 1970 and 1980 aggregate employment in manufacturing grew 4.7 percent, compared to net losses in most other countries. Manufacturing output and productivity also increased during the decade. However, the small positive trend indicated by these aggregate figures masks serious decline in particular manufacturing industries.

Perception of the problem is also colored by the cyclicality in the economic performance of the manufacturing sector. During the recent recession, the number of manufacturing jobs fell by 2.5 million. More than 95 percent of this reduction was among production workers. The manufacturing sector has always been more sensitive to cyclical fluctuations than the rest of the economy, but the outlook for the recovery to replace all manufacturing production jobs lost in this recession is not optimistic.

Furthermore, unemployment in this recession diverges from the pattern in the three previous recessions in terms of intensity—there were record levels of unemployment—and in terms of composition. A much higher proportion of job losers in 1981 and 1982 were permanently separated from their employers compared to the recessions of the 1970s—53 percent versus 37 percent.[2] In 1982 there were 1.4 million fewer production jobs in manufacturing than in 1970.

Beyond cyclical factors, the proportion of total economic activity in manufacturing industries is declining in

1. Robert Lawrence, "Is Trade Deindustrializing America? A Medium Term Perspective," *Brookings Papers on Economic Activity*, ed. William C. Brainard and George L. Perry (Washington, DC: Brookings Institution, 1983), 1:129-72.

2. Robert W. Bednarzik, "Layoff and Permanent Job Losses: Workers' Traits and Cyclical Patterns," *Monthly Labor Review*, pp. 3-12 (Sept. 1983). This higher proportion might in part reflect erosion of expectations of recall on the part of workers laid off as the recession lengthened.

response to changes in demand and productivity. Over the next 20 years the share of the work force that will be employed in the manufacturing sector is expected to drop from 22 percent to a range of 5 to 14 percent.[3]

A seemingly endless stream of closing manufacturing plants flows across the pages of the press, vividly documenting the serious negative effects on many workers and communities touched by the processes of change. Some basic manufacturing industries in the United States, such as steel and automobile production, are being supplanted by competitors in the international market.[4] Technological advances that contribute to improved competitiveness are rendering obsolete many of the better-paying, skilled and semiskilled occupations associated with heavy manufacturing. As employment in these industries declines, displaced workers are shifting into other sectors of the economy or onto the unemployment rolls. However, the profiles of the typical worker and the typical job in these declining industries differ from those in expanding sectors of the economy, such as the much touted, high-technology industries. Judgments of the desirability of an economy concentrated in goods-producing versus service industries aside, workers and communities with a stake in the older economic constellation are ill prepared for an intense pace of disinvestment and for the changing focus of new investment.[5]

On the broadest level, implementation of effective macroeconomic policies to fortify the current recovery and to encourage the long-term growth and international competitiveness of American industry is essential. Downturns in the economy accentuate all instances of job loss and slow the processes by which lost employment opportunities are replaced through the expansion of existing firms and the creation of new business establishments.

Even if successful, broad macroeconomic policies to stimulate recovery will not sufficiently improve conditions in the pockets of serious distress produced by secular shifts in the composition of economic activity. Policies targeted at specific problem areas will be needed to facilitate the transition. Many such policies already exist and are embodied in programs whose objectives range from providing training to workers displaced by trade liberalization to granting tax incentives to foster business development in areas with high unemployment. The accelerating pace of economic change has been accompanied by the call for additional legislative and administrative efforts that will encourage the progressive development of the United States and will provide assistance to those victimized by the development process.

Among the policies sought are those that will regulate the process of plant closings and compensate workers and communities for economic losses associated with closings. Such legislation

3. Malcolm R. Lovell, Jr., "A New Approach to Encourage Reemployment" (Paper delivered at the National Issues Forum on Displaced American Workers, Brookings Institution, Washington, DC, 7 Dec. 1983).

4. Barry Bluestone, "Industrial Dislocation and Its Implications for Public Policy" (Paper delivered at the Third Annual Policy Forum on Employability Development, Washington, DC, 13-14 Sept. 1983).

5. The articles by Gordus, by Root, and by Fedrau in this issue of *The Annals* of the American Academy of Political and Social Science discuss the impacts of industrial restructuring and plant closings on workers and communities.

has been enacted in a few states and has been proposed in many more. National legislation has been presented to Congress in several forms attempting to address some of the problems arising from the decisions of firms to close or relocate facilities. Some of the measures put forward include requiring companies to provide (1) prior notification of radical reductions in employment or closing, (2) severance pay and retraining programs for displaced workers, and (3) in certain cases financial compensation to the community.[6]

In addition to the political obstacles blocking enactment and implementation of plant-closing legislation, policy formulation has been impeded by the lack of empirical information on the magnitude and geographic concentration of the problem. In response to the growing pressure for and against plant-closing legislation, data collection efforts and statistical estimates of the impact of closing on employment loss have increased, but a comprehensive assessment of the problem has been lacking.

Using business data from the U.S. Establishment and Enterprise Microdata (USEEM), developed at the Brookings Institution,[7] this analysis examines the magnitude of employment loss associated with plant closings and general business turnover in the United States between 1976 and 1982. Beyond merely counting the number of jobs lost through closings, the propensity of different types of business enterprise to regenerate employment through the dissolution of establishments is considered. How are these processes of job loss and job creation linked to shifts in the composition of the economy in terms of industrial and business size characteristics? The dynamics of employment behavior in the manufacturing sector are contrasted with those in other industries, particularly the service sector. Differences in the job-replacement behavior of small and large firms are discussed in relation to secular growth trends in manufacturing and other industries. Finally, the geographic mapping of closings and job replacement is considered.

PLANT CLOSINGS: AN OPERATIONAL DEFINITION

The normal functioning of the U.S. economy is the consequence of many offsetting factors, the product of a turbulent process of the formation and dissolution of large numbers of business establishments. An analysis of plant closings should attempt to minimize the statistical noise generated by this usual business turnover in a dynamic economy. Our concern is focused on massive layoffs and closings, which displace large numbers of workers and seriously affect the economic health of the com-

6. Among the other articles in this issue of *The Annals* of the American Academy of Political and Social Science, those by Blakely and Shapira and by Hooks discuss the current status of plant-closing legislation in the United States and elsewhere; see also a recent paper by Bennett Harrison, "Coping with Structural Unemployment by Anticipating It: The International Movement for Corporate Disclosure and Advance Notification of Business Shutdowns" (Delivered at the Thirty-sixth Annual Meeting of the Industrial Relations Research Association, San Francisco, CA, 28 Dec. 1983).

7. The U.S. Establishment and Enterprise Microdata was developed under the sponsorship of the Small Business Administration; documentation is available from the Office of Advocacy of the Small Business Administration, Washington, DC. Recent analyses indicate that this data set may overstate absolute employment losses due to plant closings, but comparisons across industries and regions should be reliable.

munities in which they are located. Business "dissolutions," or establishments that cease operation, include businesses that close for any reason, including bankruptcy, retirement of the owner, financial failure, insufficient profitability, and so on. In an effort to eliminate most of the usual turnover, this study limits the definition of plant closings to those dissolving establishments that are affiliates of business enterprises with 100 or more employees. A more refined definition further requires that the establishment be a subordinate of a multiestablishment firm, that is, a branch or subsidiary.

RECENT EVIDENCE ON PLANT CLOSINGS

Plant closings, as narrowly defined in this article, constituted one-fourth of all dissolutions of manufacturing establishments between 1978 and 1982, but accounted for over two-thirds of jobs lost in these dissolutions. These figures for plant closings translate into a loss of 3.5 to 4 million jobs, or 1 out of every 4 jobs in large manufacturing branch plants. Reflecting the dominance of large firms in the manufacturing sector, the overall industry rates of employment loss from dissolutions of all subordinate establishments closely resemble those of plant closings in large firms. These overall rates are not significantly affected by the higher rates of loss in small firms. (See Table 1.)

The most striking contrast presented in Table 1 is between the very high closing rates in subordinate establishments in the upper portion of the table and the low rates in nonsubordinate establishments. Within the same firm size classes—based on the number of employees at a firm—closing rates range from two to five times higher for the subordinate establishments. Clearly, for multiestablishment firms, closing a branch operation is a policy option frequently exercised within the context of a broad management strategy. As Frederick M. Sherer has pointed out,

> under certain cost conditions, production cutbacks can be accomplished more economically by shutting down one or more whole plants in an integrated network than by reducing output at each of many independent plants.[8]

Cyclicality

The propensity of large firms to exercise their option to close branches is demonstrated in the dramatic increase in closing rates of subordinate establishments in the second period (1980-82) over the first period (1978-80). These two periods represent rather distinct portions of the business cycle. In the first period, the real gross national product increased by about 2.5 percent, while during the second period it declined by slightly more than that amount. Unemployment increased throughout the four years, but grew at a much higher rate during the second two-year period. Manufacturing employment growth, as measured in the USEEM data base, was about 6.0 percent between 1978 and 1980, but was -5.2 percent between 1980 and 1982. In sum, the first period is generally expansionary, and the second, recessionary.

Closing rates for subordinate establishments doubled in every size class in the second period, while nonsubordinate establishments registered more

8. F. M. Sherer, *Industrial Market Structure and Economic Performance*, 2nd ed. (Chicago: Rand McNally, 1980), p. 103.

TABLE 1
MANUFACTURING DISSOLUTIONS AND EMPLOYMENT LOSS BY ESTABLISHMENT TYPE, 1978-82 (Percentage)

	Number of Employees at a Firm		
	Under 100	100 or More	All Firms
Subordinate Establishments*			
1978-1980			
Closing rate	18.9	12.3	13.6
Employment loss	17.8	7.9	8.1
1980-1982			
Closing rate	38.1	27.2	29.3
Employment loss	24.8	16.1	16.2
Increase in rate of employment loss	39.3	103.8	100.0
Nonsubordinate Establishments†			
1978-1980			
Closing rate	9.6	3.0	9.3
Employment loss	7.8	3.2	5.3
1980-1982			
Closing rates	10.3	5.1	10.1
Employment loss	9.4	5.9	7.5
Increase in rate of employment loss	20.5	84.4	41.5

SOURCE: Unpublished tabulations, U.S. Establishment and Enterprise Microdata Base, Brookings Institution, Washington, DC.

*Branch and subsidiary establishments.

†Independent firms and owners of multiestablishment firms.

moderate increases. Particularly notable is the doubling of the rate of employment loss due to subordinate plant closings from about 8 percent to over 16 percent. Rates of employment loss in dissolutions in subordinates of smaller firms increased by only 39 percent. Similarly, employment loss rates in large nonsubordinate firms increased 84 percent, while in small nonsubordinate firms employment loss rates grew only 20 percent.

Closing rates in small independent firms exhibit much less variability between the two periods. In fact, rates of employment loss in dissolutions in firms with fewer than 20 employees declined slightly in the second period, possibly indicating a countercyclical tendency for this size class in aggregate. Employment in manufacturing branches of large firms is extremely volatile. Closings of such plants accounted for more than two-thirds of all manufacturing jobs lost in dissolutions between 1978 and 1982. Consistent with the results of other analyses, these findings indicate that large manufacturing firms are

TABLE 2
EMPLOYMENT LOSSES AND JOB REPLACEMENT RATES, 1976-82

	All Industries	Manufacturing	Services
1976-82			
Employment Loss (in thousands)			
Closings*	16,177 (33.4)	5,439 (30.9)	3,471 (27.3)
Turnover†	8,605 (11.3)	1,259 (5.8)	1,449 (7.9)
Job Replacement Rates			
All firms	1.51	1.08	2.12
Firms with under 20 employees	2.37	2.61	3.87
Firms with 20-90 employees	1.49	1.33	2.13
Firms with 100 or more employees	1.25	0.91	1.72
Interim Changes			
Closings—employment loss (in thousands)			
1976-78	4,511 (6.0)	1,760 (8.1)	864 (4.7)
1978-80	3,912 (7.5)	1,216 (5.4)	858 (4.1)
1980-82	7,754 (9.1)	2,464 (10.2)	1,749 (9.1)
Replacement Rates			
1976-78	1.65	1.26	2.61
1978-80	2.06	1.80	2.72
1980-82	1.09	0.57	1.52

SOURCE: Unpublished tabulations, U.S. Establishment and Enterprise Microdata Base.
NOTE: Numbers in parentheses represent employment loss in terms of percentage of 1976 base employment.
*"Closings" are dissolutions of establishments in firms with 100 or more employees.
†"Turnover" covers establishments of firms with fewer than 100 employees.

much more responsive to cyclical fluctuations in the economy than are small firms.[9]

RATES OF JOB REPLACEMENT, 1976-82

The relative importance of the jobs lost in plant closings depends in large part on whether and how they are replaced. Although detailed data on job replacement differentiating subordinate and nonsubordinate establishments are not currently available, we can examine the generation of new employment opportunities in different employment size classes of firms. The two extreme firm size classes presented in Table 2—"under 20 employees" and "100 or more employees"—represent the vast majority of independents and of subordinates, respectively. For the remainder of this analysis, the latter firm size class will be used to represent closings.

Jobs lost due to dissolutions can be replaced in two ways. First, new businesses can be created or new branch plants opened. Second, employment in some existing establishments can expand sufficiently to offset both contracting employment in other establishments and losses due to dissolutions. Tables

9. Further discussion of such studies can be found in Candee S. Harris, "Icebergs and Business Statistics: A Comparison of Business Failures and Business Dissolutions" (Working paper, Business Microdata Project, Brookings Institution, Oct. 1983).

that follow present gross figures for employment losses associated with dissolutions of establishments, employment gains associated with formations of new establishments, the sum of formation gains and the net expansion in existing establishments, and job replacement rates.[10] Table 2 presents job replacement rates for all industries, for the manufacturing sector, and for the nongovernmental service sector.

Within each industrial sector, the replacement rates are consistently lower for larger firms. Replacement rates in these large firms decline abruptly in the 1980-82 period. During the recent recession large firms in the manufacturing sector managed to replace only 2 out of every 10 jobs lost in dissolutions. The poor employment growth performance of large firms accounted for all of the net decline in manufacturing employment between 1980 and 1982 (-5.2 percent). The smallest firm size class—under 20 employees—retained its healthy performance in all three observation periods, creating 2 to 3 new jobs for every 1 lost in dissolutions. Surprisingly, the mid-sized class—20 to 99 employees—actually improved its generation of replacement jobs during the downturn of the second time period, from 1.3 jobs to 2.3. Unfortunately, the predominance of large-firm employment is reflected in the overall performance of the industry, which registered net losses between 1980 and 1982, despite the substantial growth in the smaller size classes. More detailed industry breakouts might reveal that the smaller firms are engaged in different aspects of manufacturing than are the large firms. Small or mid-sized manufacturing firms might be concentrated in those industries that are less vulnerable to cyclical fluctuations.

In order to compare the differential job replacement performance of large and small firms in manufacturing to that in an expanding industrial sector, the job replacement in the service industries was examined. The smallest service firms also demonstrated the highest job replacement ratios and the least cyclicality in aggregate. In contrast to the manufacturing sector, one would expect service sector businesses of different sizes to be more equally distributed across narrowly defined industrial categories and, therefore, to be equally affected by recessionary conditions. This was not, in fact, the case. The large firms suffered the greatest deterioration in job replacement rates in the second period, but the behavior of the mid-range firms in this industrial sector more closely resembled that of the large firms.[11]

Both the rates of employment loss and the job replacement rates reflect the reorientation of the economy. As shown in Table 2, closing rates are lower for the service industries than for manufacturing industries in all periods and across all size classes. Reinforcing the industrial shift, replacement rates are almost twice as high in services as in manufacturing.

10. The job replacement rate is the ratio of the sum of new employment in formations plus the net change in existing establishments to the losses from all dissolutions.

11. The difference in the pattern of job replacement in the mid-range firms between the two industrial sectors reflects differences in the size composition and competitive aspects of manufacturing and service industries. Greater concentration of production and larger minimum efficient scales of operation push the definition of a "small business" upward in the manufacturing industry. On the other hand, the average size of firms in the service sector is only one-third that in manufacturing, so the mid-range service firms appear to have more in common with the large ones.

TABLE 3
EMPLOYMENT LOSS IN CLOSINGS AND JOB REPLACEMENT RATES: ALL INDUSTRIES BY REGION, 1976-82

Region	Employment Closings* (in thousands)	Loss in Percentage†	Replacement Rates
U.S. total	16,177	(33.4)	1.50
New England	852	(28.8)	1.49
Mid-Atlantic	2,696	(29.6)	1.17
East North Central	3,077	(29.7)	1.23
West North Central	958	(29.2)	1.68
South Atlantic	2,639	(35.9)	1.51
East South Central	947	(34.0)	1.29
West South Central	1,808	(38.0)	1.93
Mountain	688	(40.2)	2.15
Pacific	2,512	(41.2)	1.70

SOURCE: Unpublished tabulations, U.S. Establishment and Enterprise Microdata Base.
*Closings in firms with 100 or more employees.
†Employment loss as a percentage of 1976 base employment.

REGIONAL ASPECTS OF PLANT CLOSINGS AND JOB REPLACEMENT

Regional employment losses associated with large-firm closings in all industries, along with job replacement ratios, are presented in Table 3 for the whole period 1976-82 and in Tables 4 and 5 for the interim period between 1972 and 1982. Differences in regional rates of job loss due to closings are somewhat surprising. The rates of loss are higher not in the declining regions as one would expect, but in the regions experiencing better than average net employment growth. For example, between 1976 and 1980 the region with the greatest percentage loss was the Pacific, which lost 2.5 million jobs, or 41 percent of its 1976 work force.

Clearly, the rate of employment loss from closings is not as important as the rate at which those jobs are replaced. Of the four regions in the North, only the West North Central achieved a better-than-average rate of job replacement, whereas replacement rates in all regional divisions of the West were well above average.

Regional shifts in manufacturing employment are even more pronounced, as reflected in the closing and replacement rates for that sector in Tables 4 and 5. In each of the interim periods noted between 1972 and 1982, manufacturing dissolution rates were generally higher in the expanding regions. Again job replacement rates flagged the geographic undercurrents of change in the distribution of manufacturing employment in the United States. All regions of the North have had persistently lower-than-average rates of job creation since 1974, which has helped effect the shift toward the South and West.

It must be noted, however, that what might be called the winning regions have historically had relatively low shares of the nation's industry, so these recent trends have operated to offset existing discrepancies. Nonetheless, this seemingly equitable redistribution at the

TABLE 4
EMPLOYMENT LOSS IN DISSOLUTIONS OF MANUFACTURING ESTABLISHMENTS BY REGION (Percentage)

Region	1972-74*	1974-76*	1978-80†	1980-82†
New England	8.0	8.1	7.4	11.4
Mid-Atlantic	7.9	11.0	7.1	11.5
East North Central	5.4	8.9	6.4	10.8
West North Central	7.0	9.9	5.6	10.5
South Atlantic	8.1	11.6	7.3	13.7
East South Central	7.6	10.3	6.0	13.7
West South Central	7.8	11.1	7.3	12.6
Mountain	9.2	14.1	7.1	14.7
Pacific	8.6	10.9	9.0	14.0

*David Birch, "The Job Generation Process" (Final report to the Economic Development Administration, U.S. Department of Commerce, grant no. OER-608-G78-7, June 1979).
†Unpublished tabulations, U.S. Establishment and Enterprise Microdata Base.

TABLE 5
MANUFACTURING JOB REPLACEMENT RATIOS FOR ALL ESTABLISHMENTS BY REGION

Region	1972-74*	1974-76*	1978-80†	1980-82†
U.S.	1.60	0.67	1.85	0.57
New England	1.42	0.45	1.58	0.52
Mid-Atlantic	1.06	0.28	1.45	0.52
East North Central	1.85	0.57	1.33	0.22
West North Central	2.15	0.65	2.21	0.57
South Atlantic	1.65	0.61	2.16	0.69
East South Central	1.97	0.71	1.83	0.32
West South Central	1.86	1.16	2.94	1.05
Mountain	1.70	1.01	3.01	0.88
Pacific	1.60	1.47	2.10	0.86

*David Birch, "The Job Generation Process."
†Unpublished tabulations, U.S. Establishment and Enterprise Microdata Base.

macroeconomic level does little to ameliorate the negative impact on workers and communities in the losing regions.

Replacement rates in large firms

Since it is predominantly the changes in employment in large, multiestablishment firms that determine replacement rates and net manufacturing employment growth, location decisions of these companies largely determine regional performance. The declining manufacturing employment in the North indicates that the regional distribution of new plant openings is not the same as that of the plant closings, resulting in localized economic decline. For the period 1976-80, Table 6 presents the regional shares of employment, employment loss in dissolutions, and employment gains from formations of manufacturing and business service establish-

TABLE 6
MANUFACTURING AND BUSINESS SERVICE ESTABLISHMENTS OF LARGE FIRMS: DISTRIBUTION OF EMPLOYMENT IN FORMATIONS AND DISSOLUTIONS, 1976-80 (Percentage)

Region	Employees in Subordinates (1976)	Share of Employment (1976)	Share of Employees in Dissolutions	Share of Employees in Formations
United States		100.0	100.0	100.0
Northeast	51.7	26.5	24.9	19.6
North Central	59.7	30.6	28.0	27.0
South	64.9	29.4	31.4	35.9
West	56.3	13.4	15.7	17.8

SOURCE: Unpublished tabulations, U.S. Establishment and Enterprise Microdata Base.

ments in large firms.[12] The regional distribution of employment losses from dissolutions is much more similar to the distribution of total employment than is the distribution of employment gains from formations. The North Central and the Northeast, in particular, received notably lower shares of new jobs from formations than shares of jobs lost in dissolutions. The opposite was true for the West and South, which together garnered about 338,000 more jobs from new formations than were lost in dissolutions in large manufacturing firms.

Given these findings concerning the greater volatility of jobs in subordinate establishments, one would expect those regions with disproportionately high shares of such establishments to experience more fluctuation in rates of employment gain and loss. Comparison of the figures in the first column of Table 6 with those in Table 5 supports this surmise. The two regions with substantially higher shares of manufacturing and business service employment in branch and subsidiary establishments—the North Central and the South—did experience the greatest deterioration in job replacement rates during the downturns in 1974-76 and 1980-82. The employment growth benefits derived from attracting such establishments are mitigated by increased vulnerability to cyclical fluctuations. The job replacement rates in the East North Central, for example, show steady decline since 1972. That region's replacement rate dropped from 0.57 in the 1974-76 downturn to only 0.22 in the current recessionary period. (See Table 5.) This mismatch between the locus of job loss and the locus of job creation results in intense regional inequities. In 1980 the unemployment rate in Houston was only 4.7 percent, while in Detroit it was over 14 percent.

12. The regional distribution of employment in establishments of large firms is almost identical to that in subordinate establishments, varying less than 1 percentage point for any region.

JOBS LOST VERSUS JOBS CREATED

In the restructuring of the economy, there is another impetus toward inequities—the mismatch between the skills of the displaced workers and the requirements of new employment opportunities. Between 1976 and 1980 about 42 percent of the net growth in manufacturing

employment and 26 percent of the employment gains from formations of new manufacturing establishments were in high-technology manufacturing industries. This shift within the manufacturing sector to more technically advanced industries complicates the process of job replacement in the manufacturing sector.

It is often assumed that the new employment opportunities created by the expansion of high-technology industries are better paying, less hazardous, and more personally satisfying. In 1980 high technology's average rates of compensation of manufacturing production workers in particular and all employees in general were higher than those in low-technology manufacturing industries. High-technology production workers earned about $.50 more per hour and the average high-technology employee made $3500 more per year than their counterparts in the low-technology manufacturing sector.[13]

As with most aggregate statistics, these figures disguise discrepancies in the occupational structure and employee compensation patterns within the industries. Scientific, engineering, and technical workers make up about 18 percent of total employment in the high-technology industries. A majority of high-technology jobs are for assemblers and other production workers. How do these production workers compare with those in the declining industries that are experiencing a majority of the plant closings?

Demographic characteristics of the high-technology production workers suggest that new jobs created in these industries may not absorb the blue-collar production workers being displaced in declining manufacturing industries. For example, in two of the fastest growing high-technology industries—the electronic computing industry and the communication equipment industry—about 35 percent and 40 percent of the employees, respectively, are women. In the steel and automobile industries, they account for less than 15 percent. In addition, the high-technology industries have lower unionization rates and lower proportions of minority production workers.[14]

In sum, the new jobs being created in the manufacturing sector do not very well match those being eliminated. Though not conclusive, such evidence should be taken into account when considering development programs targeted at high-technology industries, particularly in regions with high concentrations of declining manufacturing industries.

SUMMARY AND CONCLUSION

Closings of large firms eliminated over 16 million jobs between 1976 and 1982. Almost one-third of these were in the manufacturing sector. While small manufacturing firms—those with fewer than 100 employees—registered annual net employment growth rates around 6 percent between 1976 and 1982, larger firms contracted their employment. Rates of employment loss due to closings of manufacturing branches doubled in the 1980-82 period over the 1978-80 period, combining with lower replacement rates to produce a net decline of 5.2 percent in manufacturing. By contrast, the service sector performed

13. Lawrence, "Is Trade Deindustrializing America?"

14. See Eileen Appelbaum, " 'High Tech' and the Structural Unemployment of the Eighties" (Paper delivered at the Annual Meeting of the American Economic Association, Washington, DC, 28 Dec. 1981).

strongly throughout the six-year period, with lower rates of employment loss and much higher rates of job replacement.

The mismatch between the regional distribution of employment losses from closings and the distribution of formations and net change in existing establishments, especially in large manufacturing firms, produced uneven effects across the nation. The resultant regional redistribution of manufacturing activity especially worsened the position of the northern regions. Continuing a long-term shift of activity, the regions experiencing the highest rates of growth in employment and in population were those that previously had the smallest shares of each, namely, the South and the West.[15] Formations of new businesses and net employment are apparently following patterns of population migration.[16] Unfortunately, displaced manufacturing workers tend to be concentrated in the North, where low business formation and job replacement rates exacerbate current regional distress.

Since the mid-1970s, plant closings have eliminated over 900,000 manufacturing jobs every year. Although this represents less than 10 percent of the manufacturing labor force, these displaced workers are concentrated in particular industries and, more important, in particular regions with relatively low rates of job creation. Despite some success in replacing lost jobs, remaining inequities in the regional distribution of business closings and business formations and the mismatch between displaced workers and new employment opportunities in manufacturing have combined to create important adjustment problems. Trying to halt or reverse the reorientation of the manufacturing sector is neither feasible nor desirable, but the problems associated with the transition are significant and deserve national attention.

The articles that follow in this volume of *The Annals* describe particular aspects of the effects of plant closings and assess extant and proposed policies to facilitate the adjustment of individuals and communities to the structural changes in the American economy.

15. Gregory Jackson et al., *Regional Diversity: Growth in the U.S., 1960-1990* (Boston, MA: Auburn Publishing House, 1981).

16. See Candee S. Harris, Catherine Armington, and Marjorie Odle, "The Formation and Growth of High Technology Firms: A Regional Assessment," Report to the National Science Foundation (Washington, DC: Brookings Institution, Sept. 1983); and Katharine Bradbury et al., *Urban Decline and the Future of American Cities* (Washington, DC: Brookings Institution, 1982), pp. 103-4.

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Investment and Disinvestment in New York, 1960-80

By GLENN YAGO, HYMAN KORMAN, SEN-YUAN WU, and MICHAEL SCHWARTZ

ABSTRACT: Job loss and plant closings have, until recently, been considered part of the inevitable cycle adjustments of economic growth. Since the late 1970s, however, a multifaceted debate has developed relating to the possible permanence of industrial decline in the American Northeast. Postindustrial and product life-cycle theories maintain an optimistic perspective predicting offsetting job gains in new sectors; while capital mobility theory predicts accelerated job loss and long-term depression. Evidence from the New York State Industrial Migration File offers little cause for optimism. Between 1960 and 1980, state job capacity declined by 200,000, a result of both an increase in disinvestment and a decrease in new investment. Contraction took place in every region and industrial sector. There is questionable evidence of compensatory expansion to offset contraction during most years as a consequence of physical changes in plant and equipment investment. Multilocal firms showed a much greater propensity to disinvest than local firms, suggesting support for capital mobility theory.

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SINCE the late 1970s, social scientists and policymakers have become embroiled in a multifaceted debate about the character and significance of industrial decline. The points of dispute have encompassed empirical issues, such as the extent or existence of decline, and policy issues, such as the feasibility of viable public intervention. This dispersed dialogue is a consequence of the collapse of the accepted wisdom of past decades, which posited cyclical economic problems, in the face of monotonic decline of the industrial Northeast. Industrial and occupational patterns are being permanently altered by structural changes reflected in closed plants, radically altered unemployment patterns, and relentlessly unsuccessful regional development strategies. A complex set of technological, organizational, environmental, and economic processes are creating massive unaddressed tensions for which there are few satisfactory explanations or solutions.[1]

In the past, job loss and plant closings were considered transitional problems associated with the inevitable cyclical adjustments of economic growth. Since 1973, however, when the world plunged into an era of structural economic changes—which produced high energy costs, recession, sporadic economic growth, declining rates of productivity increase, rapid changes in production technology, and declining real wages—the older industrial regions in the United States have experienced what many observers consider to be an industrial infrastructural collapse: drastically reduced manufacturing output and employment; declining efficiency and productivity in industrial plants; loss of international and domestic market shares; and a failure to attract new industry or investment. In short, there has been an apparent process of deindustrialization, which has left the Northeast with an atrophied productive potential. This article focuses on New York State and the first detailed outlines of the parameters of deindustrialization, together with a brief assessment of current analyses about its origins and impact.[2]

THE CAUSES OF DEINDUSTRIALIZATION

We begin with a brief consideration of current analyses of plant closings.

Postindustrial society and product cycle theory

A swing from manufacturing to service employment is considered the benchmark of postwar economic change and the defining feature of what Daniel Bell has called postindustrial society.[3] In this context the decline of manufacturing since 1969 is less significant than the dramatic growth in the tertiary and quaternary sectors during the entire postwar era.[4] The postindustrial perspective thus views plant closings as part of the transformation from a manufacturing-based economy to a service/administrative-based one. Industrial employment is supplanted by new, postindustrial jobs, and plant closings are therefore not part of economic decline,

1. Frank Blackaby, ed., *Deindustrialisation* (London: Heinemann, 1979).

2. The data reported in this article are from the Industrial Migration File, a set of reports collected by the field offices of the New York State Department of Commerce. The data reported detail physical changes in industrial facilities.

3. Daniel Bell, *The Coming of Post-Industrial Society* (New York: Basic Books, 1973).

4. R. D. Norton and J. Rees, "The Product Cycle and the Spatial Decentralization of American Manufacturing," *Regional Studies*, 13:141-51 (1979).

but an element in the restructuring of the economy toward newly ascendant sectors outside of manufacturing.

This overarching perspective has found its most useful application in studies of regional population and employment change, using location and ecological theory. According to these analyses technological innovations have produced a new distribution of industries within and between regions because new technologies require different resources, new production skills, access to newer markets, beneficial business climates, and so forth. Redistribution of industry and population between regions is therefore the result of technological diffusion and adaptation, as well as negative cost factors associated with the concentration of older industries in specific regions. Plant closings and deindustrialization can therefore be viewed as market justice for firms that are unable or unwilling to develop new technologies or are incapable of responding to a rapidly changing economic environment.[5]

Theories of product cycle change have also contributed forceful analyses within the postindustrial framework. In this view, the growth and decline of regions follows the life cycle of basic industries, which mature, decentralize, and relocate.[6] These viewpoints all suggest that economic adjustment to industrial change and/or decline can largely be accommodated through market mechanisms. Long-term effects of plant closings on employment will ultimately be minimized, since job loss in declining industrial sectors—or regions—will be offset by employment growth in expanding sectors of the economy.

Policy strategies based on these arguments therefore focus upon government accommodation to market-defined trends. The main thrust of such programs involves job retraining and other transition-oriented activities. Direct public-sector productive investment or change of direction in industrial structure and investment is seen as unnecessary and counterproductive.

Capital mobility and industrial organizational theory

The main contending perspectives explain plant closings as a consequence of increased capital mobility combined with the failure of managerial strategies in production and distribution. These failures are seen as consequences of rigidities in organizational structure and managerial performance in highly concentrated industries. Multinational status and access to international capital allows these companies to recoup losses deriving from their managerial problems by relocating in high-profit industrial sectors and low-wage regions in the United States or other countries.

The large size and the multilocational character of firms make them less accountable to particular communities, thus freeing them from traditional constraints imposed by local, state, or national governments and unions. The rise of multinational ownership, even when establishments are relatively small and locally managed, is therefore seen as the crucial force behind deindustrializa-

5. Richard B. MacKenzie, *Restrictions on Business Mobility* (Washington, DC: American Enterprise Institute, 1979); J. Kasarda, "The Implication of Contemporary Redistribution Trends for National Urban Policy," *Social Science Quarterly*, 61(3 and 4, Dec. 1979).

6. J. Rees, "Technological Change and Regional Shifts in American Manufacturing," *Professional Geographer*, 31:45-55 (1979); S. Fothergill and G. Gudgin, *Unequal Growth: Urban and Regional Employment Change in the United Kingdom* (London: Heinemann, 1982).

tion. The international character of industrywide investment decisions implies the possibility, and therefore the inevitability, of corporate decisions leading to regional decline.[7]

In this view, deindustrialization is a consequence of the structural dynamics and institutional context of large firms located in world markets. Unmediated market activity would exacerbate regional decline. Capital mobility theorists therefore call for direct intervention into production decisions, either by altering the profile of the market, through tariffs or other mechanisms, or by direct government intervention into investment decision making.[8]

INDUSTRIAL DECLINE IN NEW YORK STATE

Over the past two decades, New York State has lost more than 5 million jobs as a result of industrial decline. Its share of U.S. manufacturing has dropped nearly 50 percent, from 12.7 percent to 7.1 percent. Real wages and the rate of productivity have also been significantly eroded, and import penetration has increased while export market shares have declined.

The New York State economy was one of the first to experience the end of the postwar economic growth.[9] Nonagricultural employment peaked in 1969, four years before it did nationally, and has declined ever since. (See Table 1.) As Chinitz has noted, manufacturing employment, representing only about 25 percent of the state's total, accounted for a disproportionate share of the decline in employment.[10] Between 1969 and 1977, 457,700 jobs were lost in industry, 82.6 percent of the total job loss. Not surprisingly, New York's contribution to total U.S. manufacturing output has declined each year since 1970.

During earlier periods of economic growth, relative and absolute declines in manufacturing were usually or eventually offset by increases in trade and service employment. After 1970, this pattern may have broken down in New York. Between 1969 and 1977, nonmanufacturing sectors also lost 96,300 jobs.[11] For the whole period of manufacturing decline—1969 to 1983—571,500 jobs were lost in manufacturing, while only 540,000 jobs were gained in service. After 1971, unemployment rates remained above 5 percent and were 10 percent to 30 percent higher in New York than the national average (Table 2). These overall patterns severely undermined those aspects of postindustrial theory in which manufacturing decline is offset by ser-

7. Richard H. Frank and R. Freeman, "The Distributional Consequences of Direct Foreign Investment," in *The Impact of International Trade and Investment on Employment*, A Conference of the U.S. Deparment of Labor, ed. William G. Dewald (Washington, DC: Government Printing Office, 1978); Barry Bluestone and Bennett Harrison, *The Deindustrialization of America* (New York: Basic Books, 1982); Alan R. Townsend, *The Impacts of Recession* (London: Croom-Helm, 1982); W. Abernathy et al., *Industrial Renaissance* (New York: Basic Books, 1983); R. Hayes and William Abernathy, "Managing Our Way to Economic Decline," *Harvard Business Review*, 58 (July-Aug. 1980); William Lazonick, "Competition, Specialization, and Industrial Decline," *Journal of Economic History*, 41(1, Mar. 1981).

8. For a succinct overview of the measures suggested, see "Industrial Policy: A Cliche for All Candidates," *Economist*, pp. 20-22 (5 Nov. 1983).

9. Peter D. McClelland and Alan L. Magdovitz, *Crisis in the Making: The Political Economy of New York State Since 1945* (New York: Cambridge University Press, 1981); Benjamin Chinitz, ed., *The Declining Northeast: Demographic and Economic Analysis* (New York: Praeger, 1978).

10. Benjamin Chinitz, "Manufacturing Employment in New York State: The Anatomy of Decline," in *The Declining Northeast*, ed. Chinitz, p. 45.

11. Ibid., p. 55, tab. 2.6; see also tab. 1.

TABLE 1
DECLINE IN NONAGRICULTURAL AND MANUFACTURING EMPLOYMENT

Year	All Nonagr. Employees (000)	Manufacturing Employees	
		Number (000)	Percentage of All Nonagr.
1969	7182.0	1970.8	27.4
1970	7154.8	1760.6	24.6
1971	7005.2	1633.4	23.3
1972	7038.5	1602.2	22.7
1973	7132.2	1619.1	22.7
1974	7076.0	1574.6	22.2
1975	6826.8	1421.9	20.8
1976	6778.8	1438.8	21.2
1977	6628.4	1413.1	21.3

SOURCE: *New York State Statistical Yearbook, 1980* (Albany: State of New York, Department of Commerce, 1980).

vice sector expansion, and they underscore the need for detailed understanding of the patterns of industrial expansion and contraction.

The Industrial Migration File, an annual data set collected by the field offices of the New York State Department of Commerce, is one of the few systematic reporting systems utilized by government to monitor physical changes in manufacturing plants. The opening, closing, expansion, and contraction of industrial facilities are recorded and classified in considerable detail. Each entry is coded by company name, parent company name, standard industrial classification code, employment, investment, and other plant characteristics. This valuable data base, along with other firm- and county-level data to be gathered as part of our larger research project, is a major resource for clarifying the processes involved in the industrial decline in New York and the Northeast.

Preliminary analysis of these data indicates that deindustrialization in New York State has had the following characteristics:

1. There were many more instances of new investment—expansions and openings—than disinvestments—closures and contractions. Disinvestment, however, tended to be undertaken on a larger scale, averaging close to 100 employees. Investments were considerably smaller, usually involving under 30 jobs. Job loss from plant closings and contractions exceeded gains in employment from new or expanded industrial facilities by well over 200,000 jobs.

2. The heaviest decline occurred during the years 1970-78, when a decrease in expansionary activity followed an increase in closings and contractions.

3. Contraction in manufacturing activity is a statewide phenomenon. The most dramatic declines have occurred in New York City, while the capital district—near Albany—and Suffolk County were least affected.

4. All major industries showed a decline in employment, with apparel,

TABLE 2
UNEMPLOYMENT IN NEW YORK STATE

Year	Number of Unemployed (000)	Rate	
		New York	United States
1970	331.0	4.5	4.9
1971	490.0	6.6	5.9
1972	500.0	6.7	5.6
1973	404.0	5.4	4.9
1974	481.0	6.4	5.6
1975	727.0	9.5	8.5
1976	789.0	10.3	7.7
1977	704.0	9.1	7.0
1978	603.0	7.7	6.0
1979	571.0	7.1	5.8
1980	603.0	7.6	7.1

SOURCE: *Resident Employment Status of Civilian Labor Force,* Bureau of Labor Market Information Report, no. 85 (Albany: State of New York, Department of Commerce, 1981).

textile, lumber, furniture, fabricated metal, paper, and leather experiencing disproportionate losses. Machinery showed moderate expansion.

5. Plants that were subsidiaries of larger, multilocal corporations were far more likely to experience disinvestment. Industrial plants that were independently and locally owned were more likely to expand or open.

From 1960 to 1980, there were 16,247 changes in physical plants recorded in the Industrial Migration File. Table 3 shows the proportion of closings, contractions, openings, and expansions. If we look at the proportions alone, it appears that New York experienced something of an economic boom: 67.5 percent of all changes represented new investment. To reconcile this with the state's economic crisis, we must take into account the relative size of the different activities: whereas the average opening created 49.1 jobs and the average expansion 27.4 jobs, the average closing eliminated 95.2 jobs and the average contraction, 196.1 jobs. Thus, while there were twice as many instances of new investment as disinvestment, closings and contractions, on average, involved almost twice as many jobs.

Table 4 demonstrates this pattern in more detail. For all changes, 50 percent were low in employment impact—affecting 30 or fewer jobs—and only 11.2 percent were high impact—affecting over 100 jobs. For openings, however, 62.3 percent were low impact, and for expansions 80.5 percent produced 30 or fewer new jobs. Only 32.0 percent of the closings and 17.8 percent of the contractions were in the low-impact category. On the other hand, 23.2 percent of the closings and 44.2 percent of the contractions resulted in a loss of more than 100 jobs. Only 9.2 percent of the openings and 4.6 percent of the expansions created more than 100 jobs.

In New York State between 1960 and 1980, a large number of relatively small increases in physical plant size were overwhelmed by a much smaller number of large closings and contractions result-

TABLE 3
INDUSTRIAL MIGRATION ACTIVITY AND EMPLOYMENT IN NEW YORK STATE, 1960-80

	Companies		Jobs Gained or Lost	
Activity	Number	Percentage	Number	Mean
Closings	4,642	28.5	-397,249	-95.2
Contractions	700	4.3	-127,892	-196.1
Openings	3,186	19.6	+143,554	+49.1
Expansions	7,719	47.5	+169,474	+27.4
Total	16,247	100.0	-212,113	-15.2

SOURCE: Industrial Migration File, Department of Commerce, State of New York.

ing in a net loss of 212,113 jobs, an average of 10,606 jobs per year over the 20-year period.

Table 5 shows the profile of investment and disinvestment on a yearly basis. The 1960s began with a relatively high number of contractions and closings, which decreased to only 208 by 1967. They then rose quickly, surpassing their initial level by 1970, peaking at 410 in 1972, and declining until 1980. By 1980 the yearly number of closings and contractions had declined to less than 50 percent of the average between 1970 and 1976.

The instances of new investment follow a somewhat different pattern. Openings and expansions increased during the early 1960s and stabilized during the late 1960s. They decreased measurably in the early 1970s and dramatically in the middle 1970s. There was some recovery by 1980.

The pattern of job loss in New York reflects the intersection of these trends. The high numbers of lost jobs between 1969 and 1974 reflect mainly the substantial increase in disinvestment, while the losses of the late 1970s reflect the dramatic decline in new investment.

These results deepen the criticism of postindustrial and product cycle theorists, who posit a countervailing, new investment offsetting disinvestment. In New York, disinvestment was followed by a decline in new investment, exacerbating its economic impact and reversing the predicted pattern.

Regional variation

Significant regional variations are also apparent in the pattern of industrial migration. New York City accounted for more than 50 percent of all plant closings, a rate nearly double the state average, and experienced over half of the total job loss. The capital district—near Albany—and Suffolk County—a rapidly expanding suburban area near New York City—performed better in openings, while Buffalo, Elmira, the northern region, Rochester, and Syracuse all were above average in expansions. Despite these expansions, however, Buffalo, Elmira, Rochester, and Syracuse showed higher-than-average rates of employment loss, another reflection of the large differential between the job impact of disinvestment as compared to new investment.

Much attention has been given to differential growth and decline between metropolitan and nonmetropolitan

TABLE 4
EFFECT OF INDUSTRIAL ACTIVITY ON EMPLOYMENT, 1960-80

Gain or Loss in Number of Jobs	All Changes in Physical Plant		Closings		Contractions		Openings		Expansions	
	No.	%	No.	%	No.	%	No.	%	No.	%
Low: 0 to +/–30	8237	50.7	1333	32.0	116	17.8	1818	62.3	4970	80.5
Medium: +/–31 to +/–100	3867	23.8	1867	44.8	248	38.0	833	28.5	919	14.9
High: +/–101 and over	1814	11.2	972	23.2	288	44.2	270	9.2	284	4.6

SOURCE: Industrial Migration File.

regions. Our evidence supports other work that indicates that urban areas are hardest hit by disinvestment: 36.4 percent of the physical plant changes in standard metropolitan statistical areas (SMSAs) were closings and contractions, compared to 24.5 percent in non-SMSAs. More significant, however, is the fact that both metropolitan and nonmetropolitan areas showed a decline in industrial employment in the period under study: 221,212 jobs were lost in urban areas and 9901 jobs were lost in rural areas. While the decline in rural areas was small, this reflected the much smaller industrial base in those regions. The patterns in both sectors were similar, including size differentials between new investment and disinvestment (Table 6) and time ordering over the period. These results cast grave doubt upon the widely argued position that nonmetropolitan areas benefit through industrial relocation.

The sectoral distribution of employment decline and migration activity demonstrates the broad base of disinvestment. The following rates of decline are representative of the pattern of deindustrialization and job loss. Apparel—45.5 percent—and leather—44.7 percent—showed substantially higher-than-average rates of disinvestment—32.9 percent; and fabricated metal, which had the highest rate of new investment—75.3 percent, was not significantly above the state average of 67.1 percent. Here again, the most significant result is a negative one: all industries experienced net job losses. The greatest net losses were in food—49,309; textiles—27,960; apparel—49,167; paper—23,582; chemicals—32,920; printing and publishing—34,262; electrical machinery industries—81,350; and machinery—39,130.

In short, no New York State industry escaped the effects of deindustrialization during the past two decades. Small-scale openings and expansions failed to compensate for job loss resulting from major closings and contractions in all industrial categories. Moreover, the mix of industrial activities represented in the state's industrial structure during earlier years declined at an accelerating level. A diversified and dynamic industrial structure that could have absorbed the negative impacts of specific industrial sectors' decline never materialized.[12]

It might be argued that the large net loss of jobs in New York is part of an interregional employment redistribution

12. D. H. Garnick, "The Northeast States in the National Context," in *The Declining Northeast*, ed. Chinitz, pp. 145-59.

TABLE 5
INDUSTRIAL MIGRATION IN NEW YORK STATE

	Closings		Contractions		Openings		Expansions	
Year	No.	%	No.	%	No.	%	No.	%
1961	244	20.2	47	5.4	200	23.1	375	43.3
1962	204	24.8	44	5.4	187	22.7	387	47.1
1963	201	23.6	59	6.9	176	20.7	416	48.8
1964	210	24.3	28	3.2	194	22.5	432	50.0
1965	200	21.3	46	4.9	218	23.2	476	50.6
1966	186	22.6	26	3.2	167	20.3	443	53.9
1967	167	19.1	41	4.7	170	19.4	497	56.8
1968	222	23.1	26	2.7	206	21.4	507	52.8
1969	220	23.8	22	2.4	192	20.7	492	53.1
1970	267	29.6	42	4.7	178	19.8	414	45.9
1971	317	34.8	42	4.6	176	19.3	375	41.2
1972	360	36.5	50	5.1	192	19.5	384	38.9
1973	354	37.3	37	3.9	173	18.2	386	40.6
1974	291	32.6	47	5.3	141	15.8	415	46.4
1975	252	36.6	24	3.5	104	15.1	309	44.8
1976	266	40.8	29	4.4	89	13.7	268	41.1
1977	172	37.9	22	4.8	74	16.3	186	41.0
1978	170	31.9	14	2.6	107	20.2	242	45.4
1979	183	31.0	19	3.2	113	19.5	274	46.4
1980	148	20.5	35	4.9	121	16.8	417	57.8
Total	4641	28.6	700	4.3	3186	19.6	7719	47.5

SOURCE: Industrial Migration File.

between the Northeast and the South and West. Such a pattern would be consistent with the postindustrial and product cycle theories reviewed previously. Evidence addressed by Harris and by Bluestone and Harrison indicate that this is not the case, that employment changes in other American regions and worldwide do not offset those in the Northeast.[13] Even if such balancing took place, it would not resolve local economic and social problems created by disinvestment.

13. Candee S. Harris, "The Magnitude of Job Loss from Plant Closings and the Generation of Replacement Jobs: Some Recent Evidence," in this issue of *The Annals* of the American Academy of Political and Social Science; Bluestone and Harrison, *Deindustrialization of America.*

Multilocal versus locally owned firms

The industrial migration data distinguish between firms that are branch subsidiaries of larger corporations and those that are locally owned. Capital mobility theory suggests that multilocal firms would be more likely to allow plants to deteriorate to the point of closing, sapping the plant's resources for reinvestment elsewhere.

As Table 7 indicates, the data offer support for this viewpoint. New York State experienced a higher rate of disinvestment among absentee-owned plants than among locally owned plants—41.6 percent versus 27.7 percent—and the average number of jobs lost per action was also higher. Disinvestment by subsidiaries resulted in the loss of

TABLE 6
EFFECT OF INDUSTRIAL ACTIVITY ON EMPLOYMENT IN METROPOLITAN AND NONMETROPOLITAN AREAS

	Non-SMSA*				SMSA*			
	Companies		Jobs Gained or Lost		Companies		Jobs Gained or Lost	
Activity	Number	Percentage	Number	Mean	Number	Percentage	Number	Mean
Closings	432	20.7	-34,780	-80.5	3,740	31.6	-362,469	-96.9
Contractions	80	3.8	-11,535	-144.2	572	4.8	-116,357	-203.4
Openings	533	25.5	+6,851	+12.9	2,388	20.2	+126,703	+53.0
Expansions	1,042	49.9	+29,563	+28.4	5,131	43.4	+139,911	+27.3
Total	2,087	100.0	-9,901		11,831	100.0	-221,212	

SOURCE: Industrial Migration File.
*"SMSA" is standard metropolitan statistical area.

some 297,300 jobs, compared to 227,841 among independent companies. On the other hand, new investment by multilocal companies produced 129,811 jobs compared to 189,203 for local firms.[14] Though both categories showed a net loss of jobs, subsidiary firms, which accounted for 36.2 percent of the changes in physical plant, contributed 81.8 percent of the lost employment. Multilocal—and probably multinational—firms were therefore associated with higher rates of plant closings and contractions. Also related were job loss and lower rates of plant openings, expansions, and job creation.

CONCLUSION

Recent theoretical and empirical research on economic inequality, uneven regional development, and institutional social change has argued that declining real wages, high regional unemployment, rising social welfare expenses, deteriorating public services, decaying public infrastructure, and increased fiscal crisis are all associated with problems of plant closings and disinvestment. For this reason, much attention has been focused on state or regional strategies designed to reverse or retard deindustrialization.

Our initial findings suggest that current New York policy may be ineffective in addressing these problems. Ironically, the state appears to have financed, in part, its own economic decline, subsidizing precisely the firms most likely to leave. State tax policies have favored the largest, multibranch firms at the expense of smaller businesses. The lion's share of the state's $1.7 billion job incentives program went to the largest enterprises. A recent report by state senator Franz Leichter shows that 0.6 percent of the largest firms received over 35 percent of existing state corporate investment tax credits, which amount to over $100 million annually.[15] Our findings indicate that state development strate-

14. These results can be considered as minimum estimates of the significance of the presence of parent companies; this variable omits parent names for many cases, especially when the subsidiary has the same name as its parent company.

15. F. S. Leichter, *New York's Corporate Investment Tax Credits: Millions Down the Drain* (Albany: New York State Senate, 1983), app. tabs. 2-4.

TABLE 7
EFFECT OF INDUSTRIAL MIGRATION ACTIVITY ON EMPLOYMENT IN LOCALLY OWNED AND MULTILOCAL FIRMS

	Independent*—Locally Owned				Subsidiary*—Branch of Multilocal Corporation			
	Companies		Jobs Gained or Lost†		Companies		Jobs Gained or Lost†	
Activity	Number	Percentage	Number	Mean	Number	Percentage	Number	Mean
Closings	2,568	25.2	-181,950	-76.0	2,073	34.4	-215,299	-121.0
Contractions	266	2.6	-45,891	-186.5	434	7.2	-82,001	-201.9
Openings	2,354	23.0	+94,990	+44.1	832	13.8	+48,564	+63.2
Expansions	5,033	49.2	+94,218	+23.3	2,686	44.6	+75,256	+36.1
Total	10,221	100.0	-38,633		6,025	100.0	-173,480	

SOURCE: Industrial Migration File.

*Due to the coding method used in the Industrial Migration File, some branch facilities have been coded as independent.

†Because 2329 firms—14.3 percent—gave no figures for employment loss or gain, figures for total jobs and mean number of jobs lost are based on sample sizes smaller than the frequency distributions.

gies might be better directed toward locally owned companies in order to maximize job creation.

New York—unlike Maine and Wisconsin—does not require prenotification of a plant closing, much less that migrating firms accept part of the financial burden for the economic readjustment necessitated by disinvestment. The impact of plant closings on the public balance sheet requires greater scrutiny, especially in New York, where public debt has more than doubled in the past decade.

The pattern of disinvestment in New York suggests that market processes will not produce balancing reinvestment. Active intervention, guided by an understanding of the general pattern of disinvestment, will be needed to reverse or retard economic decline and its associated social and economic problems.

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Is Deindustrialization a Myth? Capital Mobility versus Absorptive Capacity in the U.S. Economy

By BARRY BLUESTONE

ABSTRACT: The current debate concerning the necessity and propriety of establishing an industrial policy for the United States turns, to a significant extent, on the question of whether the nation is undergoing deindustrialization. Using data on aggregate trends in manufacturing employment, Robert Z. Lawrence and others at the Brookings Institution claim that despite widespread plant closings during the 1970s, most employment loss was cyclical in nature and not permanent. In this article, new evidence on individual industries and regions is explored to test again the deindustrialization thesis. The conclusion of the current study is that while aggregate manufacturing employment has remained constant over the past decade, substantial permanent job losses have occurred in key basic industries and in particular regions of the nation. These employment losses pose a serious problem because the economy generally fails to provide comparable jobs in other sectors that can absorb the workers who become displaced.

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IN spite of the current economic recovery, there is widespread agreement among economists that high levels of unemployment are becoming a fixture of modern industrial society. Unemployment in the United States averaged 4.5 percent during the 1950s and only slightly higher—4.8 percent—during the following decade.[1] In the 1970s it rose to 6.2 percent, but this appeared to be merely prologue to rates that now may remain in the 7.0-to-8.0 percent range. Even the most optimistic forecasts indicate that jobless rates will not fall below 6 to 7 percent for the remainder of the current decade.

A significant—but not precisely known—share of unemployment has been attributed to a phenomenon now popularly termed "deindustrialization"—a widespread, systematic disinvestment in the nation's basic industrial capacity. Using data from Dun and Bradstreet on facturing sector alone, an establishment with 100 employees or more had only a 70 percent probability of surviving to the year 1976, conditional on its operation in 1969. Using an updated version of the same Dun and Bradstreet file, Candee Harris and her colleagues at the Brookings Institution have found comparable results for 1978-82.[3] Schmenner has demonstrated a similar phenomenon among establishments owned by 410 of the largest manufacturing corporations in the United States.[4] Between 1970-72 and 1978, these large corporations relocated, shut down, or divested over 21 percent of the 12,000 or more establishments they owned and operated at the beginning of the period. Of this number, more than half were simply shut down—8.4 percent—or relocated—3.7 percent—rather than sold to new owners. These same corporations opened 1600 new plants and acquired nearly 3400 during this period, but for the most part they were in new industries and different regions, providing little employment opportunity for those immediately affected by the closings.

Deindustrialization has been said to be particularly acute in metropolitan areas where, according to Varaiya and Wiseman, only a fraction of the investment needed to stabilize existing production-worker employment took place in the 1970s.[5] Controlling for the vintage of the capital stock in the manufacturing sectors of 77 standard metropolitan statistical areas (SMSAs), they found that in 1976 it would have taken an additional $16 billion in investment to maintain production employment in these urban areas. Nationwide the capital spending rate would have had to triple to maintain urban manufacturing employment at existing gross investment/employment ratios. Because of the higher capital retirement rates in the Northeast and North Central regions, investment fell short of employment stabilizing levels

1. See Council of Economic Advisers, *Economic Report of the President, 1981* (Washington, DC: Government Printing Office, 1981), tab. B-31, p. 269.

2. Barry Bluestone and Bennett Harrison, *The Deindustrialization of America* (New York: Basic Books, 1982), p. 30.

3. Candee S. Harris, "Plant Closings: The Magnitude of the Problem," Business Microdata Project, Working Paper no. 13 (Washington, DC: Brookings Institution, June 1983).

4. Roger W. Schmenner, *The Location Decision of Large, Multiplant Companies* (Cambridge, MA: MIT-Harvard University Joint Center for Urban Studies, 1980), tab. 1-2, p. 30, and tab. 1-5, pp. 36-39.

5. Pravin Varaiya and Michael Wiseman, "Investment and Employment in Manufacturing in U.S. Metropolitan Areas 1960-1967," *Regional Science and Urban Economics*, 11:431-69 (1981).

by as much as 85 percent in the older SMSAs. Overall, the investment rate was below the level needed to maintain manufacturing employment in 60 of the 77 urban areas.

One can presume that similar evidence prompted the editors of *Business Week* in 1980 to declare with uncharacteristic alarm,

> The U.S. economy must undergo a fundamental change if it is to retain a measure of economic viability let alone leadership in the remaining 20 years of this century. The goal must be nothing less than the reindustrialization of America. A conscious effort to rebuild America's productive capacity is the only real alternative to the precipitous loss of competitiveness of the last 15 years, of which this year's wave of plant closings across the continent is only the most vivid manifestation.[6]

IS DEINDUSTRIALIZATION A MYTH?

Any cursory analysis of the steel, automobile, textile, apparel, or footwear industry, or simply a field visit to Detroit, Buffalo, Youngstown, or Akron, would seem to leave little doubt that capital investment has been insufficient to maintain basic industry or mitigate the apparent abandonment of entire communities. Yet in the past year the claim of deindustrialization has come under intense scrutiny with the result that some researchers now suggest that deindustrialization is, in fact, not occurring and therefore does not pose a serious problem. One of the most careful studies in this regard, undertaken by Robert. Z. Lawrence of the Brookings Institution, concludes that U.S. deindustrialization is simply "a myth."[7] A more journalistic account by a *Forbes* magazine correspondent, James Cook, suggests that deindustrialization is, for the most part, irrelevant because the United States has been a service economy, not an industrial manufacturing society, for at least 40 years. "Most of the breast-beating about our industrial decline," Cook contends, "is a kind of masochism—much like the hysteria in 18th-century Britain that building roads fit for stagecoaches would weaken the national fiber and lead to a decline in equestrian skills."[8]

Lawrence's argument is based primarily on aggregate output, investment, and employment trends and on comparisons with manufacturing activity in other developed countries. Essentially, for Lawrence, whether deindustrialization has or has not taken place depends on whether the absolute number of manufacturing jobs has declined and whether the United States is deindustrializing faster or slower than the Europeans and the Japanese.

If we rely on this definition, the data clearly contradict the deindustrialization hypothesis. Indeed, between 1973 and 1980, U.S. manufacturing output increased in real terms by 12.3 percent. In Germany the increase was only 8.9 percent; in France, 9.9 percent; and in all of

6. "The Reindustrialization of America," *Business Week*, special issue, 30 June 1980, p. 58.

7. Robert Z. Lawrence, "The Myth of Deindustrialization," *Challenge*, 26(5, Nov.-Dec.1983); also see idem, "Is Trade Deindustrializing America? A Medium Term Perspective," *Brookings Papers on Economic Activity*, ed. William C. Brainard and George L. Perry, vol. 1 (Washington, DC: Brookings Institution, 1983).

8. James Cook, "You Mean We've Been Speaking Prose All These Years," *Forbes*, 11 Apr. 1983, p. 143.

the Organization for Economic Cooperation and Development (OECD) countries, 11.8 percent. Only Japan's output growth of 22 percent exceeded that of the United States, prompting the conclusion that it is Europe rather than the United States that is undergoing a process of deindustrialization. U.S. output growth in food, textiles, apparel, chemicals, glass, and fabricated metal products was more rapid than that of either Germany or Japan while U.S. growth in nonelectrical machinery, electrical equipment, and professional and scientific equipment outstripped that of Germany.

Data on capital expenditures in the manufacturing sector also seem to question the deindustrialization phenomenon. Between 1973 and 1979, purchases of plant and equipment increased at an average annual rate of 3.8 percent from $26.9 billion to nearly $35 billion, in 1972 dollars. After accounting for depreciation, new net investment increased even more rapidly, averaging 6.9 percent per year.[9]

Even more striking is the alleged evidence on employment. Lawrence expresses it bluntly: the United States was the only OECD country to have a positive growth rate in aggregate manufacturing work hours between 1973 and 1980—seven-tenths of 1 percent per year.[10] France, Germany, England, Denmark, the Netherlands, and Sweden all experienced annual percentage declines in manufacturing hours of 2 percent or more. Even Japan reduced its manufacturing time by nearly three-fourths of a percentage point. More rapid growth in productivity in Japan and Europe, combined with the relatively slower growth in European output, is responsible for what appears to be worker deindustrialization everywhere but the United States.

The Brookings research also questions the widely held belief that the growth in foreign trade has promoted a decline in U.S. employment. Between 1970 and 1980, Lawrence notes, the volume of U.S. manufactured goods increased by 101.5 percent while the growth in manufactured imports rose by only 72 percent. Thus it is entirely possible that U.S. export trade more than offset any job loss associated with imports. Moreover, using a 1972 input-output model, Lawrence attributes most of the decline in employment in such industries as automobile and steel to reduced domestic absorption rather than imports. Between 1973 and 1980, according to his calculations, 20.4 percent of the decline in automobile output can be traced to a decline in aggregate sales while only 3.5 percent is due to changes in the net trade balance.[11] Hence whatever deterioration has occurred in employment levels in basic manufacturing presumably can be attributed to changes in domestic activity. This, in turn, is a result of depressed aggregate demand rather than any long-

9. These figures were calculated from U.S., Department of Commerce, Bureau of Economic Analysis, "Fixed Nonresidential Business and Residential Capital in the United States 1925-1975" (Washington, DC: Government Printing Office, 1976) and various July issues of U.S. Department of Commerce, *Survey of Current Business* (Washington, DC: Government Printing Office).

10. Robert Z. Lawrence, "Deindustrialization and U.S. International Competitiveness: Domestic and International Forces in U.S. Industrial Performance, 1970-1980," *The Brookings Institution*, mimeographed (Washington, DC, 1982), p. 26.

11. Ibid., p. 39.

term, secular decline in these industries. Thus it is assumed that continued macroeconomic growth in the economy will be sufficient to solve the unemployment problem.

DEINDUSTRIALIZATION ONCE AGAIN

Neither the data nor the aggregate trends reported by Lawrence can be disputed on face value. Although the proportion of the total work force in manufacturing declined from 26.2 to 22.1 percent between 1973 and 1980, total manufacturing employment in the latter year—20.2 million—remained almost identical to its 1973 level. Relative to services and trade, manufacturing employment declined precipitously, but in absolute aggregate terms, the claim of deindustrialization does not seem to be sustained.

There is, however, a serious error in this formulation of the problem. From a social efficiency or social-cost perspective, the aggregate trend in employment is inadequate to prove or disprove deindustrialization if interindustry and interregional worker mobility is insufficient to clear labor markets. What counts in an economy where mobility is imperfect are the trends in specific industries and regions. There is, for example, no disputing the fact that worldwide employment in manufacturing is expanding rapidly, but if it is declining sharply in the United Kingdom, the growth in other countries would not in any serious way offset the costs imposed on Britain.

Likewise private and social costs are imposed on workers and communities within the United States to the extent that those dislocated from declining industries in particular regions cannot find employment in equally productive jobs in other sectors. The level of imposed costs is a positive function of the rate at which employment is declining in particular sectors and regions and a negative function of the economic system's capacity to absorb dislocated workers into other areas of the economy. For this reason the velocity of sectoral and regional specific deindustrialization and the overall absorptive capacity of the economy are the proper phenomena to study. It is in this regard that deindustrialization is no myth.

SECTORAL AND REGIONAL DEINDUSTRIALIZATION

The actual employment performance of key sectors of the economy is disclosed in Table 1. While the flat trend—as opposed to a declining trend—in total manufacturing employment is confirmed by the small—+0.13 percent—change in the number of jobs between 1973 and 1980, production workers did not fare anywhere near as well, and employment in certain key sectors fell sharply.

Using regression equations that controlled for deviations from potential gross national product, estimates of potential employment levels for the year 1980 were projected under the assumption of prior (1960-72) trends in employment growth after accounting for the recession conditions in 1980. These are reported as ratios of actual to projected employment in Table 2 along with the actual 1973-80 change in total and production worker employment.

For total manufacturing, the ratio appears to confirm the Brookings conclusion. In fact, manufacturing employment after 1973 was slightly above its secular trend line once the business cycle effect is statistically included. Total employment was 6.6 percent higher than what might have been expected given 1980 business conditions.

TABLE 1

CHANGE IN TOTAL EMPLOYMENT AND NUMBER OF PRODUCTION WORKERS IN THE UNITED STATES, BY INDUSTRY, 1960-80

	Industry	Total Employment (percentage) 1960-73	Total Employment (percentage) 1973-80	Production Workers (percentage) 1960-73	Production Workers (percentage) 1973-80	Production Worker Average Wage 1980
20000	Total manufacturing	16.7	.13	17.9	–4.7	$7.27
30000	Durable goods	25.7	2.0	23.2	–3.8	7.75
40000	Nondurable goods	12.6	–2.4	9.9	–5.9	6.55
SIC 33	Primary metals	6.3	–9.7	5.6	–13.5	9.77
SIC 35	Machinery (except electrical)	41.2	19.9	35.3	14.9	8.00
SIC 361	Electrical distribution equipment	14.8	–11.2	29.2	–16.0	6.96
SIC 362	Electrical industrial apparatus	32.3	–.5	40.8	–3.8	6.91
SIC 363	Household appliances	27.3	–17.9	31.3	–18.1	6.95
SIC 365	Radio/TV receivers	42.6	–27.2	46.5	–30.9	6.42
SIC 367	Electronic components and accessories	75.9	25.6	60.4	17.7	6.05
SIC 371	Motor vehicles	34.9	–20.3	57.6	–25.3	9.85
SIC 372	Aircrafts and parts	–15.8	24.6	–23.1	24.6	9.28
SIC 38	Instruments and related products	33.1	27.6	27.9	22.4	6.80
SIC 22	Textile mill products	9.2	–15.4	6.1	–16.2	5.07
SIC 23	Apparel and other products	16.6	–12.8	13.8	–10.5	4.56
SIC 28	Chemicals and allied products	25.3	6.3	19.7	2.1	8.30
SIC 301	Tires and tubes	25.1	–12.6	25.1	–16.4	9.74
SIC 314	Footwear	–24.6	–22.0	–26.8	–23.2	4.42
SIC 531	Department stores	87.1	5.8	86.6	7.6	4.95
SIC 58	Eating and drinking establishments	84.6	51.2	—	48.7	3.69
SIC 6000-6999	Finance, insurance, and real estate	53.9	26.6	45.5	24.3	5.79
SIC 7000-8999	Services	74.3	37.8	—	35.8	5.85
	Total Employment	41.7	16.9			

SOURCE: U.S., Department of Labor, Bureau of Labor Statistics, *Employment and Earnings Statistics for the United States, 1909-1980* (Washington, DC: Government Printing Office, 1981).

TABLE 2
RATIO OF ACTUAL EMPLOYMENT TO PROJECTED TREND EMPLOYMENT IN 1980

		Actual Percentage Change, 1973-80, in	
Ratio	Industry	Employment	Production Worker Employment
1.853	Aircraft and parts	+24.6	+24.6
1.461	Electronic components	+25.6	+17.7
1.318	Instruments	+27.6	+22.4
1.266	Machinery (except electrical)	+19.9	+14.9
1.168	Eating and drinking places	+51.2	+48.7
1.134	Durable manufacturing	+2.0	-3.8
1.046	Primary metals	-9.7	-13.5
1.066	All manufacturing	+.1	-4.7
1.028	Services	+37.8	+35.8
1.023	Electrical industrial equipment	-.5	-3.8
.990	Finance, insurance, and real estate	+26.6	+24.3
.980	Chemicals	+6.3	+2.1
.975	Nondurable manufacturing	-2.4	-5.9
.974	Radio/TV receivers	-27.2	-30.9
.939	Electrical distribution equipment	-11.2	-16.0
.936	Footwear	-22.0	-23.2
.934	Apparel	-12.8	-10.5
.920	Textile mill products	-15.4	-16.2
.898	Motor vehicles	-20.8	-25.3
.810	Household appliances	-17.9	-18.1
.792	Tires and inner tubes	-12.6	-16.4
.784	Department stores	+5.8	+7.6

SOURCE: The data on employment change are calculated from U.S., Department of Labor, Bureau of Labor Statistics, *Employment and Earnings in the United States, 1947-1980* (Washington, DC: Government Printing Office, 1982).

NOTE: The ratio is calculated from regression equations that control for cyclical components in the employment series. A ratio value of 1.000 indicates an industry in which the long-term trend in employment between 1973 and 1980 is identical to the trend that existed between 1960 and 1972. A ratio value greater than 1.000 indicates an industry where the post-1972 employment growth was higher than the 1960-72 trend. A ratio value less than 1.000 indicates an industry where employment in the later period was below the trend line for the earlier period.

Within 11 of 19 individual industries, however, employment was below trend, and in 4 of these—motor vehicles, household appliances, tires and inner tubes, and department stores—actual employment was no more than 90 percent of its projected value. Virtually all of the industries with an actual/projected ratio less than .98 experienced declines in measured total employment and in the number of production workers. The manufacturing sectors that appear to have become deindustrialized during the 1970s were

—tires and inner tubes;
—household appliances;
—motor vehicles and parts;
—textile mill products;
—apparel;
—footwear;
—electrical distribution equipment;
—radio/TV receivers; and
—chemicals.

There were some surprises. Despite the widespread concern with the recent collapse of the steel industry, the actual loss in jobs during the 1970s was 4.6 less than the long-run trend would have suggested. This is explained by the fact that even during the 1960s, the trend in primary metals employment was flat and all of the variance was due to cyclical demand variables. Deindustrialization in the steel industry simply began earlier than in other industries. On the other hand, department store employment was nearly 22 percent below trend. After experiencing the most rapid growth rate of all industries between 1960 and 1972, the boom in department store jobs came to an abrupt halt in the 1970s with the saturation of most retail markets.

Up to this point, the analysis has been presented in terms of national aggregates. Yet it is precisely within particular regions that much of the dramatic employment activity is taking place. This can be illustrated by tracing employment trends in four key frostbelt states and four large sunbelt states: respectively, Massachusetts, New York, Michigan, and Ohio, and North Carolina, Georgia, California, and Texas.

Table 3 presents data on the percentage change in total employment between 1973 and 1980 in major industries in these states. A sharp decline in basic manufacturing is clearly evident in Michigan, Ohio, and New York, where the total manufacturing job loss ranges from 10 to 17 percent. On net, Michigan lost over 200,000 manufacturing jobs in this eight-year period, nine-tenths of them in durables. Ohio and New York each experienced a net loss of over 150,000. In contrast, California increased its manufacturing base by over a fifth during this sluggish economic period, while Texas increased its base by nearly a third and its durables sector by 43 manufacturing employment increased by a mere 0.13 of 1 percent.

Regional shifts in the location of particular industries are notable. Michigan lost nearly 28 percent of its primary metals industry and 23 percent of its jobs in fabricated metal operations; Texas, on the other hand, enjoyed 27 and 29 percent growth in these two sectors. Similar shifts, often of even greater magnitude, are found in nonelectrical machinery, electrical and electronic apparatus, and transportation equipment. The move to the sunbelt of high-value-added/high-wage durable manufacturing jobs is hardly a myth.

CAPITAL VELOCITY, ABSORPTIVE CAPACITY, AND STRUCTURAL UNEMPLOYMENT

Properly analyzed, then, the statistics reveal not an absolute decline in manufacturing output, investment, and employment, but a substantial amount of capital mobility from one sector to another and from region to region. The problem is economic turbulence. In the spirit of Joseph Schumpeter's notion that economic progress proceeds through a process of "creative destruction," there are many who claim that such capital restructuring is fundamental to the health of the economy. It presumably frees up scarce resources from lower-value production for use in higher-value activities. In fact, some argue that America's malaise is the result of too little capital mobility, not too much.[12]

There is a serious flaw in this argument. More capital mobility is likely to be optimal only if the resources freed up are reemployed in activities of equal or greater productivity. If productive resources are left idle as a consequence of capital restructuring, there are poten-

12. The best argument defending this notion can be found in Lester Thurow, *The Zero-Sum*

TABLE 3

CHANGE IN TOTAL MANUFACTURING EMPLOYMENT IN SELECTED INDUSTRIES IN SELECTED STATES: 1973-80 (Percentage)

Industry	United States	Massachusetts	New York	Michigan	Ohio	Georgia	North Carolina	Texas	California
Total Manufacturing	0.13	6.4	–10.3	–17.3	–11.0	3.3	2.7	31.5	20.6
Durable goods	2.0	20.0	–4.8	–19.0	–13.1	7.8	17.2	43.0	23.3
Nondurable goods	–2.4	–9.6	–15.4	–10.0	–5.9	0.9	–4.1	17.8	15.1
Selected Industries									
Primary metals	–9.7	–	–24.4	–27.7	–20.0	–	–	27.4	–2.2
Fabricated metals	–1.1	–	–10.0	–22.9	10.4	4.6	26.3	29.1	16.4
Nonelectrical machines	19.9	42.8	6.3	–7.3	–2.0	36.6	36.8	77.2	43.9
Electrical equipment	13.6	22.6	–1.1	–14.9	–19.2	30.9	17.1	88.2	45.0
Transportation equipment	11.0	7.8	–12.7	–22.8	–18.6	3.8	101.2	23.4	5.8
Instruments	27.6	24.0	4.4	46.1	–3.7	–	–	43.8	60.3
Textiles	–15.4	–16.7	–34.1	–	–	–8.0	–15.0	–26.6	–
Apparel	–12.8	–10.0	–22.3	–	–22.3	–3.7	1.8	8.2	17.5
Chemicals	6.3	–10.8	–6.5	5.5	9.8	13.4	8.5	25.6	16.3

SOURCES: U. S., Department of Labor, Bureau of Labor Statistics, *Employment and Earnings for States and Areas, 1939-78,* Bulletin 1370-13, 1979 (Washington, DC: Government Printing Office, 1980); and idem, *Supplement, 1977-81,* Bulletin 1370-16, 1982 (Washington, DC: Government Printing Office, 1980).

tial efficiency losses and serious questions of equity. In essence, an increase in the velocity of capital mobility requires a sufficient improvement in the absorptive capacity of the economy to assure that the process of creative destruction is, on net, beneficial to society. To a great extent, the entire deindustrialization issue turns on this point, for deindustrialization—like poverty—is relative. It takes on meaning only once it is considered in relation to the reabsorption process.

Whether the absorptive capacity of U.S. labor markets is sufficient is an empirical question. Here the data on the reemployment outcomes of displaced manufacturing workers suggest that for many workers reabsorption is highly problematic. Those who are displaced from such high-value-added/high-wage industries as aircraft, steel, and motor vehicle production run an extremely high risk of suffering permanent losses in their earnings streams. Using the Social Security Administration's Longitudinal Employer-Employee Data file (LEED), Jacobson and his colleagues have been able to calculate the earnings losses of permanently displaced, prime-age male workers in a number of industries.[13] The LEED file contains complete histories of Social Security-covered work for a 1 percent random sample of the labor force, thus permitting analysis of earnings flows over time. The data cover the period 1957-75.

13. Louis S. Jacobson, "Earnings Losses of Workers Displaced from Manufacturing Industries," in *The Impact of International Trade and Investment on Unemployment*, A Conference of the U.S. Department of Labor, ed. William G. Dewald (Washington, DC: Government Printing Office, 1978); Louis S. Jacobson, "Earnings Loss Due to Displacement" (Working paper CRC-385, Public Research Institute of the Center for Naval Analyses, Apr. 1979).

To measure earnings loss, Jacobson calculates the actual earnings of workers in a given industry who remain continuously employed in that sector. This earnings trajectory is then compared with the earnings records of workers who experience permanent layoffs from the same industry. For most cases there is an immediate drop in income subsequent to termination followed by a rise in earnings as those displaced find new employment in other firms. Some job losers are affected quite adversely, with their earnings falling to zero, while others find comparable work almost immediately. The actual earnings profile reflects the average earnings of the full cohort of displaced workers.

Jacobson's estimates are shown in Table 4. They indicate that in the first two years following involuntary termination, the average annual earnings loss ranges from less than 1 percent for workers formerly employed in the production of TV receivers to more than 46 percent in steel. Even after six years, workers in some industries continued to experience as much as an 18 percent shortfall. Those displaced from the better-paying, unionized industries like meat packing, flat glass, automobile, aerospace, steel, and petroleum refining suffered the greatest reduction in income. But even in the lower-wage sector, including women's apparel, shoes, toys, and rubber footwear, six or more years elapsed before displaced workers caught up with those who were able to retain their jobs.

Each worker's loss in earnings following displacement is a function of what new employment opportunity is available. This is well illustrated by an analysis of displaced New England aircraft industry workers carried out with the LEED file at the Social Welfare Research Institute at Boston College. Between 1967 and 1972, 31 percent of

TABLE 4
LONG-TERM EARNINGS LOSSES OF PERMANENTLY DISPLACED PRIME-AGE MALE WORKERS

Industry	Average Annual Percentage Loss	
	First 2 Years	Subsequent 4 Years
Automobiles	43.4	15.8
Steel	46.6	12.6
Meatpacking	23.9	18.1
Aerospace	23.6	14.8
Petroleum refining	12.4	12.5
Women's clothes	13.3	2.1
Electronic components	8.3	4.1
Shoes	11.3	1.5
Toys	16.1	-2.7
TV receivers	0.7	-7.2
Cotton weaving	7.4	-11.4
Flat glass	16.3	16.2
Men's clothing	21.3	8.7
Rubber footwear	32.2	-.9

SOURCES: Louis S. Jacobson, "Earnings Losses of Workers Displaced from Manufacturing Industries," in *The Impact of International Trade and Investment on Employment,* A Conference of the U. S. Department of Labor, ed. William G. Dewald (Washington, DC: Government Printing Office, 1978); Louis S. Jacobson, "Earnings Loss Due to Displacement" (Working paper CRC-385, Public Research Institute of the Center for Naval Analyses, Apr. 1979).

NOTE: Reprinted from Barry Bluestone and Bennett Harrison, *The Deindustrialization of America* (New York: Basic Books, 1982), p. 57.

the workers in this industry were displaced as a result of the sharp downturn in this sector and a substantial increase in subcontracting to other regions. Of the 18,300 displaced, 600 were able to locate new jobs in aircraft, but only by migrating out of New England. Sixty-five percent—11,900—located jobs in other primary-sector industries, 11.5 percent—2100—found jobs in secondary-sector industries, and 20.2 percent—3700—either found no job at all or worked outside the Social Security system.

The results of this analysis are reported in Table 5. Those who stayed in the aircraft industry by migrating to other regions had only 78 percent as much nominal earnings growth as those who were able to keep their New England aircraft jobs. Those forced into other primary-sector industries—including most durable manufacturing, wholesale trade, and public utility industries—experienced only 33 percent as much earnings growth. Finally, the more than 1 in 9 relegated to secondary-sector industries—nondurable manufacturing, retail trade, and personal services—experienced an absolute 26 percent earnings loss. For them annual earnings in nominal terms fell from an average of $6054 to $4468. After controlling for inflation, these workers earned in 1972 only 59 percent of their 1967 aircraft wages.

Further analysis of the LEED file suggests that downward mobility into the secondary sector is not at all uncommon. This can be seen by following the job mobility patterns of the 833,200 workers in New England whose principal activity in 1958 was to work in traditional mill-based industries, for example, apparel, textiles, and shoes. In the period after 1958, 674,000 left the

TABLE 5
EARNINGS TRAJECTORIES OF THOSE DISPLACED FROM THE NEW ENGLAND AIRCRAFT INDUSTRY (1967-72) (In Current Dollars)

New Employment	Number	Percentage	Earnings Growth (1967-72) as a Percentage of Earnings Growth of Continuously Employed New England Aircraft Workers
In aircraft, outside region	600	3.3	78
Other primary-sector industries*	11,900	65.0	33
Secondary-sector industries†	2100	11.5	absolute 26% earnings loss
Not covered by Social Security‡	3700	20.2	–
Total	18,300	100.0	–

SOURCE: Special tabulations of Social Security LEED file prepared by Alan Matthews and Barry Bluestone, Social Welfare Research Institute, Boston College, Sept. 1979.

*Primary industries include most durable manufacturing, wholesale trade, public utilities, and some services.

†Secondary industries include most nondurable manufacturing, retail trade, and lower-skill requirement, higher-turnover personal services.

‡Not covered by Social Security includes those who were no longer in the labor force in 1972 or who worked in jobs not covered by Social Security.

mills. Of this number, only 18,000, or less than 3 percent, were able to locate jobs in the growing high-technology sector in the region by 1975. Another 2000 had migrated to high-tech jobs in other states. But more than five times as many—106,000—ended up in service and retail trade industries, almost all of which paid significantly lower wages.[14]

The general decline in earnings following dislocation is to a great extent a function of the relative earnings levels in what are the currently growing and declining industries. Although there has been substantial employment growth in some higher-wage sectors—for example, nonelectrical machinery and aircraft and parts—many of the most rapidly growing industries are in the lower-paying manufacturing and nonmanufacturing sectors. Employment in the electronic components industry rose by 75.9 percent between 1960 and 1972 and then by another 25.6 percent between 1973 and 1980. But the average production worker at $6.05 per hour in 1980 earned a weekly salary only 61 percent as high as that of an average employee in the primary metals industry. Essentially, 163 electronic components jobs were needed to compensate for the wage-bill loss of 100 steelworkers. Similarly, it takes two department store jobs or three restaurant jobs to make up for the earnings loss of just one average manufacturing position.

The overall decline in real U.S. gross average weekly earnings by nearly 13 percent between 1973 and 1980 reflects the changing composition of jobs in the economy much more than inflation.[15] In manufacturing, real earnings declined by only 8 percent, and in industries like auto and steel, where there is substantial negotiated cost-of-living protection, the loss was minimal. Sector-specific dein-

14. Bennett Harrison, "The Tendency toward Instability and Inequality Underlying the 'Revival' of New England," *Papers of the Regional Science Association*, 50:56 (1982).

15. Calculations based on U.S., Department of Labor, Bureau of Labor Statistics, *Employment and Earnings in the United States, 1947-1980* (Washington, DC: Government Printing Office, 1982).

dustrialization therefore can seriously erode the size of the real wage bill even when aggregate employment in manufacturing remains constant.

Over the next decade, the national unemployment rate may fall as more jobs in the service and trade sectors are created. But the decline in unemployment may not do very much for standards of living, because many of the new jobs pay significantly less than those that are disappearing.

CONCLUSION

The significance of deindustrialization can therefore be evaluated only in terms of how rapidly and how successfully workers dislocated from so-called sunset industries are reemployed in growing, sunrise industries. The absolute magnitude of output, investment, and employment in manufacturing—or the extent to which employment is ahead of or behind that in other developed nations—is by itself not a very useful measure of deindustrialization.

The proper measure is a function of how rapidly employment is shrinking in certain sectors of the economy and how rapidly workers are being reabsorbed into equivalent jobs. The data on sector- and region-specific dislocation combined with the information on the downward mobility of job losers strongly suggest that the velocity of capital mobility and the absorptive capacity of the economy are not well synchronized. To rectify this problem requires either a massive effort at improving absorptive capacity through retraining and migration, a slowing of dislocation through various sectoral and regional industrial policies, or both. In this regard, deindustrialization is neither a myth nor a trivial social and economic problem.

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The Human Response to Plant Closures

By KENNETH ROOT

ABSTRACT: How do displaced workers cope with job loss? Is the adjustment of workers confronting a shutdown today different from the adjustment of those who were put on the shelf in the mid-1970s? Comparison of longitudinal data from a Mason City, Iowa, meat-packing shutdown in the mid-1970s with responses to similar items from workers displaced when a major automotive supplier firm in Wisconsin closed in 1980 and from respondents who lost their jobs in farm-manufacturing and meat-processing closures in Des Moines, Iowa, in 1981 indicate that job loss is still the plight of the individual worker and his or her immediate family. Workers continue to cut back on expenses, extend their informal network of relatives and friends for employment possibilities, and, where possible, send a spouse into the work force.

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I got my blue slip on a Monday morning while doing the same routine I had done for the many weeks I had worked for Chrysler Auto Parts.

I wondered why. What had I done wrong? I had worked my way up from an Auto Parts puller for the conveyer belts to a supervisor of five men responsible for the unloading and inventory of thousands of auto parts.

Four other men came to the part of the building I worked in and told me we had to report to the supervisor's office in the plant by noon of that same day.

"I'm sorry Chris," Con said, "I know you have been with us for two and a half years, but due to the economic situation in Detroit, we're going to have to lay you off at the end of the week." How long? They didn't know.

Unemployed? After 2 years? Chrysler was [supposed to be] a big safe cocoon! Good pay! Insurance! Use of a new truck! I had gotten a degree in Auto Parts.

How about two of my friends, both married? What about the bills I owed? I was madder than hell. So what if people were there who had worked 10 years or longer. Didn't I have more production years ahead than them?

Unemployment insurance, long lines, making sad jokes about being in those lines in the first place filled my day. But boring days loomed ahead. Even though my unemployment compensation was high, I still had a hard time paying my rent, eating, . . . [and so on].

I looked around at other places for a similar job. "Not hiring now!" "Plenty of experience though!" "Too bad no openings." "You could be a delivery boy, and maybe work your way up, [but we] couldn't pay you as much!"

Endless phone calls back to my old boss, "Sorry haven't heard nothing." Next time, "Well maybe after January."

Depression set in, I walked the streets, talked to some others who were unemployed and felt the same way they did. "Vote for Reagan? Ha-Ha. Lee Iacocca? To hell with him."

I turned to getting up early, drinking at 11:00 a.m. Going to bed early. I was trying to stave off the wolves who had to collect bills. Ten percent unemployment in Salt Lake, I'm a statistic, not a productive citizen.

Finally I moved back here; no jobs, and again I feel worthless! From . . . being . . . [free of] debt and . . . productive, I had to go back into debt to go to school. In the hope of fulfilling the economic and sociological studies that show that a college degree can get me a well-paying job and that I can be productive again, I intend to try. I hope so. After a long commitment to one job, one corporation, and having a secure feeling, I don't think I'll feel that way again for a long time. I didn't realize how much I missed my job.[1]

This story made up a portion of a student's paper on a contemporary social problem for an introductory sociology course, but it is both a personal and dramatic way of indicating that involuntary termination of work is a major life crisis, not just for this student, but for thousands of others. The redundant worker must deal simultaneously with unexpected job loss; being unemployed in a labor market that is flooded with others who possess the same skills and experience; the shock of losing the security of a long-term job; the loss of income for house payments, food, and clothes; the concern with both the coverage and the costs of health care; and reconsideration of family options that have already been rejected. Coping with the financial, social, and psychological problems that accompany job loss involves an enormous amount of stress,

1. Paper submitted for the course "Introduction to Sociology" Sociology 30B, Luther College, 1983, p. 1.

which is compounded when the labor market is not elastic.

The difficulties of social stress confronting involuntarily unemployed workers force them into the ranks of the new poor. Social workers are recognizing this emergent class as those who have had good, paying jobs and a solid middle-class standard of living, but who are now confronting nonwork—some for the first time in their lives—and finding that they need to contact social agencies for help.

That process of seeking help bothers those workers and should, I believe, bother us as well. It bothers workers because of the stigma attached to seeking help publicly, perhaps best expressed in the words of a woman whose husband was laid off and who lived in a community with an unemployment rate vacillating between 15 and 18 percent. Waiting in line to receive free cheese was no easy matter for this woman, and she described the first visit: "I felt like putting a mask over my face." "Suppose," she thought, "there's somebody there that I know. I really felt bad about doing it."[2] The second visit went better:

> The way I passed the time [in line] was by going around and talking to all the people I knew. I just figured they're there, too, and they've got to be feeling the same things.... It's not our fault, we didn't create this economy.[3]

The step beyond gratis cheese and butter is food stamps and, perhaps beyond that, a request for much needed assistance through public welfare. There clearly is a thin line between meeting basic needs and obtaining that help publicly, and it is a difficult line to pass over for proud, hard-working, and independent people full of strong resolve to retain that spirit. Displaced workers are reluctant to utilize those public services, and often they go to great lengths to avoid doing so if at all possible.

The forced push into the safety net of support services should bother us who hold human dignity in high regard, because there is a difference between the outlook of those receiving welfare and those who are not. Comparing Mason City, Iowa, displaced workers with recipients of Aid to Dependent Children-Unemployed Fathers (ADC-UF) from the same counties, Patricia Brinkmann and I noted similarities between the two groups on several demographic characteristics, "but the stigma of welfare, the boredom, the lack of access to networks of people through work and other organizational involvement apparently produces a heightened sense of alienation among the public assistance recipients."[4]

Interviews with the welfare recipients revealed dejected expressions of self-worth, boredom, family instability, and marital disharmony. They also saw themselves lower in the social hierarchy. Welfare recipients primarily placed themselves in the lower class, while displaced workers tended to view themselves as working class. With the decline of social class self-placement among contemporary displaced workers and the increasing involvement in requesting social services, one question that needs to be asked is whether or not jobless workers will internalize the welfare sta-

2. *Des Moines Sunday Register,* 13 Feb. 1983.

3. Ibid.

4. Kenneth A. Root and Patricia L. Brinkmann, "Why Work? Views from Displaced Workers and Welfare Recipients" (Paper delivered at the Southwestern Social Science Association, Houston, TX, 12-15 Apr. 1978).

tus, with the attendant boredom and alienation. And perhaps more broadly we should also ask if we are creating a new underclass of permanently unemployed workers.

A recent British paper on plant shutdowns quoted the housewife of one displaced Scottish worker as saying simply, "We're no[t] living, son, we're existing."[5] It is this same sense of mere existence that Hyman succinctly described from studies of unemployed workers in the 1930s.

> The suffering that comes from privation is compounded by "many other sufferings which result from changed social status. Through many subsequent degradations these people lose their sense of human dignity. . . . Most of them are ashamed," Zawadski and Lazarsfeld remark. "In spite of the theme of degradation which appears so often, it is not the injury to social pride, nor the feeling of sinking in the social hierarchy, but a more general and deep-rooted motif that is mentioned most often and most bitterly: it is the feeling of being superfluous, and, bound up with it, the feeling of aimlessness, of mere vegetation."[6]

Job loss is certainly not new, for social scientists have been assessing the impacts of unemployment in the United States for more than half a century. Yet there are at least two ways to discern those redundancy impacts: (1) what those without work do about their situation, such as their personal and familial coping strategies or their dejected withdrawal from social interaction; and (2) what people say about their job loss, that is, their self-expressions of feelings and attitudes.

COPING STRATEGIES

The social science literature from the Great Depression era[7] described people involved in shutdowns as job losers who suffered status change and loss of dignity, if not within the larger society, then certainly within their families. Prior to unemployment benefits, early job losers, like those described by Bakke in *The Unemployed Worker*, were required to curtail expenditures as a first line of defense when confronted with job loss:

> Reductions in food costs are obtained in many ways. The number of guests for meals was reduced or no guests were asked to break bread with the family. Social events requiring refreshments were eliminated from the family routine. Some families reduced the number of meals from three to two. Eggs were substituted for meat and vegetables for fruits as being more nutritious for the cost.[8]

Descriptions of the shutdown impacts of the 1950s and 1960s also emphasized harsh economic loss and withdrawal of meaningful involvement. Although some of these studies, such as *Too Old to*

5. Sean Damer, "Life after Linwood? The Loss of the Cash Nexus, or Deindustrialization in the Periphery" (Paper delivered at the British Sociological Association Conference, Cardiff, Wales, 5-8 Apr. 1983).

6. Herbert H. Hyman, "The Effects of Unemployment: A Neglected Problem in Modern Social Research," in *Qualitative and Quantitative Social Research*, ed. R. K. Merton, James Coleman, and Peter Rossi (New York: Free Press, 1979), p. 287.

7. Robert Cooley Angell, *The Family Encounters the Depression* (New York: Charles Scribner's Sons, 1936); Philip Eisenberg and Paul F. Lazarsfeld, "The Psychological Effects of Unemployment," *Psychological Bulletin*, 35:358-91 (June 1938); E. Wight Bakke, *Citizens without Work* (New Haven, CT: Yale University Press, 1940); and Mirra Komarovsky, *The Unemployed Man and His Family* (New York: Dryden Press, 1940).

8. E. Wight Bakke, *The Unemployed Worker* (New Haven, CT: Yale University Press, 1940), p. 267.

Work—Too Young to Retire,[9] focused on the plight of those over age 45, other studies, including Wilcock and Franke's *Unwanted Workers*,[10] provided a descriptive title for all those caught in the vise of displacement.

Like his counterparts in the United States, Stewart Crysdale's 1965 report of a Canadian plant relocation also emphasized the difficulty of maintaining social contacts for those made redundant.[11] Ironically, home ownership and a deep commitment to informal social contacts were two key elements in the integration and social stability while employed, but once people were without work, or in jobs that paid considerably less, their social network declined sharply. Resenting the deprivation of social contact outside the family, some of Crysdale's sample withdrew to interaction only within their immediate family, while others continued their ties to the church as the only link outside their nuclear unit. Crysdale put a capstone on the literature from the depression through the 1960s:

> Job displacement affects not only those aspects of social behaviour which are based primarily on economic activity, but also wider social relations and attitudes. Upheaval in employment status affects the entire social pattern, directly by disruption of work relations and income, and indirectly through loss of cohesion and identification with others in communal relations.[12]

The data sets

What coping strategies are used by unemployed workers and their families today? Three data sets provide an opportunity to make a current assessment.

The Mason City, Iowa, closure. In mid-February 1975, Armour and Company announced it would close its Mason City facility in mid-August and simultaneously announced plans to build a smaller plant employing 350 workers "in the Mason City area."[13] Community leaders were shocked with the news that the city's largest industry was closing and fought hard to win a reprieve. When those efforts failed, attention was turned to obtaining the 350-employee replacement plant. Although Armour announced they would build a new facility in Mason City some 15 months later, the possibility of a new plant provided two additional termination options for Armour workers—a layoff and a temporary transfer—as well as the more traditional alternatives of separation, transfer, and retirement.

Longitudinal data obtained from workers and their spouses, who were randomly drawn from the Armour blue-collar work force, provide information about the supportive role of the immediate family members, the adjustment patterns that developed, the influence and help of in-laws and extended family members, as well as the broader assistance aids available in the community.

The Dana study. Edgerton, Wisconsin, a community of 4000 located 50

9. Harold L. Sheppard, Louis A. Ferman, and Seymour Faber, *Too Old to Work—Too Young to Retire* (Washington, DC: Government Printing Office, 1960).

10. Richard C. Wilcock and Walter H. Franke, *Unwanted Workers* (Glencoe, IL: Free Press, 1963).

11. *Social Effects of a Factory Relocation: A Case Study of Social and Political Consequences of Job Displacement* (Toronto: Religion-Labour Council of Canada and United Steelworkers of America, 1965).

12. Ibid., p. 17.

13. See Kenneth A. Root, "Workers and Their Families in a Plant Shutdown" (Paper delivered at the American Sociological Association Meetings, Chicago, 5-9 Sept. 1977).

miles southeast of Madison, was the site selected by Dana Corporation to meet the increased demand for front-end-drive axels.[14] A vacant building and an additional 75 acres of land were purchased in 1972, and this facility, plus a well-educated labor force, proximity to buyers demanding automotive supplies, and a well-developed road system were the attractive features of settling in Edgerton. Although the plant initially employed 287 workers, growth mushroomed to 1500 employees by March 1979. Less than four months later, the first layoffs occurred and overtime work was eliminated. In February of 1980 more layoffs cut the work force in half, and on 30 May 1980, Dana announced the permanent closing of the Edgerton facility.

To determine how Dana-Edgerton workers were adjusting to the plant closing, a team of researchers from the Department of Rural Sociology at the University of Wisconsin-Madison drew a sample of workers that comprised a 15 percent random draw of both management and bargaining-unit employees, who were interviewed via telephone in November 1980.

The Des Moines, Iowa, closures. In the late summer and fall of 1981, Des Moines, Iowa, was confronted with two major plant closures.[15] The Massey Ferguson plant, a farm machinery manufacturer, closed 14 August, while the Wilson Foods, Incorporated, meat-processing facility shut down 31 October. Wilson provided a six-month notice to their workers, and Massey workers had three and a half months of advance warning that their plant was going down. Des Moines, the largest city in the state, as well as the state capital, had leaders who took advantage of prenotification and marshaled a Mayor's Task Force on Plant Closures, which buoyed the workers and organized the community to minimize the anticipated impacts. Data from workers at these two facilities and a sampling of spouses were collected during the months of February through July 1982 via telephone or personal interviews.

Findings

In all three instances we are interested in the behavioral response workers and their families have made to job loss. Table 1 indicates that in those families where there is not already a second wage earner, about 20 percent sent out a worker either after the announcement to close or after the closure itself. In the Mason City study, 20 percent of the sample was composed of two-paycheck families at the time of the announcement to close, but after the announcement or the actual closure, 2 percent shifted from part-time to full-time work, and an additional 20 percent of the sample sent family members into the work force as new workers. Eighteen percent of the sample in Edgerton and 30 percent of the spouse interviews from Des Moines indicated that secondary wage earners were necessary adjustment strategies.

But the family member who goes to work is usually a woman, and the adjustment process may not be without difficulty, with the strain working either way.

14. See Greg Hooks et al., "Small Towns and Factory Closings: Impacts and Alternatives," *Small Town*, pp. 7-13 (Jan.-Feb. 1982).

15. See Philip Langerman, Richard Byerly, and Kenneth Root, *Plant Closings and Layoffs: Problems Facing Urban and Rural Communities* (Des Moines: State of Iowa, 1982), esp. chap. 7.

TABLE 1
COMPARATIVE CHARACTERISTICS OF DISPLACED WORKERS ACROSS THREE DATA SETS

	Mason City, Iowa (1975 Closure)	Edgerton, Wisconsin (1980 Closure)	Des Moines, Iowa (1981 Closures)	
Age, mean	41	range of 21 to 61, with 50 percent between 21 and 32	44	
Percentage married	78	80	68	
Mean length of employment in years	13.7	4.9	5.7	
Percentage receiving			workers	spouses
foodstamps	6	3	11	27
welfare	2	2	14	23
Percentage receiving unemployment compensation	81	89	72	
Percentage with another family member going to work after the announcement of the closure	20	18	20	30

SOURCES: Kenneth A. Root, "Workers and Their Families in a Plant Shutdown" (Paper delivered at the American Sociological Association Meetings, Chicago, 5-9 Sept. 1977); Team for Analysis of Social Concerns, "Some Social Consequences of the Dana Corporation's Plant Closing in Edgerton," pamphlet (Madison: Department of Rural Sociology, University of Wisconsin, 1980); Philip Langerman, Richard Byerly, and Kenneth Root, *Plant Closings and Layoffs: Problems Facing Urban and Rural Communities* (Des Moines: State of Iowa, 1982), esp. chap. 7.

For Betty Noon[16] her husband's dissatisfaction with her work outside the home imposed stress on family relationships:

I've always wanted to work, but Ray didn't want me to. Now he's willing to let me have a part-time job. I would like to work full-time and I've got my foot in the door.

And Eunice Sersland's response to work also created family strain:

I've never had to work before. In fact, I never intended to go to work until the boys were in junior high. But that was changed. I didn't like going to work. I work for good people and they're very good to me, but it's the fact that I had to make myself like my job. Even though I left that house every morning, I turned around and I'd say "I don't want to leave this house. I wish I could clean it up. I wish I could even scrub the kitchen floor." But I can't, I have to go to work.

As well as having another family member go to work, families respond to a closure by making adjustments to their financial loss. They do this by cutting back on expenditures, using their savings, or cautiously spending separation pay if they are severed from the com-

16. Respondent names are fictitious; both quotations are from the 1975 Mason City closure.

pany. Sometimes planned and selectively used by workers, financial adjustments are immediate mechanisms used to avoid the pitfalls in a closure. But cutbacks, curtailing expenditures, are a near universal requirement if at all possible. In the Mason City closure, some workers told us that they had been saving each week for several years in anticipation of the closure; others told us they had already committed themselves to major expenditures that would be difficult to change—the remodeling of a kitchen or the purchase of a new car. In these situations the workers, if possible, would not have made the commitment, but they were now locked in, and they would have to tough it out themselves.

In addition to income from secondary wage earners and other financial adjustments, many of the displaced workers received unemployment compensation. Unemployment compensation benefits are generally perceived by workers as an entitlement, while neither food stamps nor public assistance is considered a viable option. In the Des Moines closures—the most recent closures—both food stamps and public assistance were more commonly used than in the preceding studies; such usage is an indication of the difficulty of finding new work.[17] In these 1981 closures supplemental help from relatives was also extensive. Spouses more easily than workers acknowledge the help, and spouses were able to indicate its financial basis. The help was varied: some parents provided a monthly cash subsidy, others paid for food on a regular basis, or helped pay for the rent, while others provided occasional help or help only in an emergency, like when the car broke down. In all, 6 of the 30 spouses said they received help from relatives.

SELF-EXPRESSIONS

Recent studies of forced joblessness have inquired into the self-expressions and attitudes of workers to a greater degree than earlier studies. Some of the results, at least during the mid-1970s, were unexpected. For example, Craig Little reported that almost half of his sample of technical professionals from the aerospace-defense-electronics layoffs of the 1970s perceived their job loss as "not such a bad break,"[18] and Walter Strange confirmed that some of the Saltville workers viewed job loss as a "good opportunity, an opportunity to relocate."[19] My own research indicated that the modal worker response to the shutdown of the Armour facility in Mason City, Iowa, was that the plant closure was generally good for the worker's family.[20] Thomas, McCabe, and Berry were also perplexed by the professed "no change" relationships that 53 percent of the unemployed fathers maintained with their children since they became unemployed and the 11 percent who stated there had been an

17. Terry F. Buss and F. Stevens Redburn report that 60 of 146 terminated workers were unemployed one year after the closure of the steel mills. Buss and Redburn, *Shutdown at Youngstown: Public Policy for Mass Unemployment* (Albany: State University of New York Press, 1983), p. 93.

18. "Technical-Professional Unemployment: Middle-class Adaptability to Personal Crisis," *Sociological Quarterly*, 17:264 (Spring 1977).

19. "A Psychological Study of Job Loss: Worker Reactions to a Plant Closing in a Company Town in Southern Appalachia" (Ph.D. diss., Cornell University, 1977).

20. Kenneth A. Root, "Job Loss and Job Losers: Variability in Response to Displacement" (Paper delivered at the Annual Meeting of the Society for the Study of Social Problems, San Francisco, CA, 1-4 Sept. 1978).

improvement in the relationship since their job loss.[21]

Now the reports of Little, Strange, and Root are five or more years old, and a good deal has happened to the economy, with thousands of workers left behind when their plants shut down. In those earlier reports the national unemployment rate was 6 percent and plant shutdowns were relatively rare. Today, in times when it is predicted that several of those displaced workers over the age of 40 may never work again and the national unemployment rate is consistently above 10 percent, it is even more important to know how those without work view their job loss. Is displacement now, as it was in the mid-1970s, generally good for dislocated workers and their families, or is there a return to the normalcy of financial and physical pain or psychic and social distress for those without work? This question asks, in a comparative way, what the attitudinal responses to plant closures are.

Table 2 presents data available from the Mason City and Des Moines, Iowa, shutdowns, which document differences in the views that workers have about the outcome of a closure. In the 1975 Mason City closure, both spouses and workers were generally positive about redundancy, a generalization already made about the literature of that period. The 1981 Des Moines closure data are reversed and reflect a picture descriptive of the 1950s and 1960s. Comparing the overall position of family finances for respondents in the 1975 and 1981 samples indicates only a slight increase in those with less income in the 1981 study, suggesting that finances do not explain worker and spouse perceptions about the impact of a closure.

What does explain the shift in views over time? One study[22] from the mid-1970s—when the Little, Strange, and Root studies were completed—found that at least two-fifths of the displaced workers did not suffer a week of unemployment. Today, with over 11 million citizens without work, we would expect significantly different outcomes, and it may be for exactly that reason that fewer respondents from the more recent closure view displacement as a benefit.

Other attitudes, including social class self-placement, are also influenced by joblessness. One of the questions asked of both Iowa samples was originally developed by Richard Centers:[23]

> Des Moines (Mason City) is made up of several groups and classes of people. Which one of these groups did you belong to before the plant closed? and since the plant closed?[24]

Significant numbers of workers' perceptions of class placement declined, as shown in Table 3, and this demise of

21. L. Eugene Thomas, Esther McCabe, and Jane E. Berry, "Unemployment and Family Stress: A Reassessment," *Family Relations*, 29:517 (Oct. 1980).

22. Herbert S. Parnes and Randy King, "Middle-aged Job Losers," *Industrial Gerontology* 4:86 (Spring 1977).

23. *The Psychology of Social Classes: A Study of Class Consciousness* (New York: Russell and Russell, 1949), pp. 76-77.

24. The options were presented in the following order: middle class, working class, lower class, and upper class. Data from the Mason City study were collected just prior to the shutdown, and again seven months after closure, and the data for this table are from those displaced workers who had not transferred one year after the closing. For the entire sample (n = 85) at the fourth interview Mason City workers were distributed as follows: upper class, 1 percent; middle class, 27 percent; working class, 68 percent; and lower class, 4 percent.

TABLE 2
RESPONSE TO WHETHER THE SHUTDOWN WAS GENERALLY GOOD OR GENERALLY BAD FOR 1975 AND 1981 CLOSURES (Percentage)

	Response to Plant Closing				
Closure Year	Generally good	Generally bad	Both good and bad	Yet to be determined	Total Percentage (N)
1975—Mason City study					
spouses*	58	42	—	—	100 (36)
workers††	41	30	27	2	100 (86)
1981—Des Moines closures					
spouses	10	63	27	—	100 (33)
workers	7	52	41	—	100 (34)

SOURCES: Root, "Workers and Their Families"; Langerman, Byerly, and Root, *Plant Closings and Layoffs,* esp. chap. 7.
*Interviewed Aug. 1976, one year after closure.
†From data collected in Sept.-Oct. 1977.

community status is confirmed by reports from the spouses as well.

The pejorative views of those most recently displaced may reflect not only a reduced set of company-provided alternatives, but more anxiety and uneasiness over the awareness of fewer job opportunities and a realistic assessment that a whole range of adjustments may need to be made. Further, with pervasive unemployment, the informal support base of extended families may be more desperately needed, but less capable of providing assistance. As Reuben Hill noted, the crisis is dependent upon (1) the hardship of the event; (2) the resources of the family to meet the event; and (3) the family's definition of the event.[25] Table 1 provides the basis to suggest that at least some aspects of family resources are less available now than in the recent past and that making adjustments to job loss is more difficult than we knew in the 1970s.

One of the reasons for this increased hardship is because there are now fewer shutdown options available to displaced workers than there were during the 1970s. For example, in the 1975 Mason City closure the three rather standard options available included severance, retirement, and interplant transfer, as well as the availability of two additional options because Armour was considering a new facility in the Mason City area. In the 1980 closure, Dana workers did not have much opportunity even to dream of transfer with better than 10,000 workers on layoff or shut out of work within the Dana system itself. Des Moines workers were also restricted in their company-provided options to transfer, besides the fact that they were locked out of relocation by high interest rates that meant that those who wanted to move were not likely to be able to sell their homes.

There are stressful aspects to job loss, but there are also aggregate differences

25. "Social Stresses on the Family: Generic Features of Families under Stress," *Social Casework*, 39:144-45 (Jan. 1958).

TABLE 3
SUBJECTIVE SOCIAL-CLASS PLACEMENT BEFORE AND AFTER SHUTDOWN: MASON CITY AND DES MOINES, IOWA, CLOSURES (Percentage)

	Mason City Closure in 1975 (n = 35)		Des Moines Closures in 1981 (n = 27)	
Social Class	Before	After	Before	After
Upper and middle	37	24	41	30
Working and lower	63	76	59	70

SOURCES: Root, "Workers and Their Families"; Langerman, Byerly, and Root, *Plant Closings and Layoffs,* esp. chap. 7.

that ameliorate the problems, including the following:

1. Those who can calm the uncertainty early appear to make a better adjustment either by having a spouse go to work before the plant closure actually occurs or by making a decision about relocation.[26]

2. Those displaced-worker families who are able to utilize informal networks of assistance also appear to make a better adjustment.[27]

3. Those who are offered an opportunity, regardless of whether that opportunity is company provided, community sponsored, or comprised of state or federal programs, and use the opportunity may also have less stress.[28]

4. Displaced-worker family units who utilize their own resources—including personal attributes, special interests, or avocational skills—and define job loss as a challenge or adventure also appear to make a better adjustment.[29]

In addition to needed research on the various segments of human responses to job loss, there are some new directions that need to be explored before well-developed public policy can be initiated. There are at least four such directions.

NEW DIRECTIONS

In the first place, there are few comparative studies of closures and their consequences. As a result we do not know as precisely as we should the best length of prenotification of a closure, or whether there are conditions in which a plant shuts down and workers and their families make a good adjustment without notification. We need refined comparative studies done in the same time frame, which are not secondary analyses.[30]

Second, until quite recently, there has been little theoretical development in

26. Root, "Workers and Their Families in a Plant Shutdown."

27. Colin Bell, Oisten Eriksen, Geir Nybo, and Kenneth Root, "Cross-cultural Analysis of Support Systems for Unemployed Workers and Their Families" (Paper delivered at the National Council of Family Relations Annual Meeting, Washington, DC, 14-16 Oct. 1982).

28. Kenneth A. Root, "Coping with Job Loss: The U.S. Case" (Paper delivered at the British Sociological Association Conference, Cardiff, Wales, 5-8 Apr. 1983).

29. Kenneth A. Root, "Family Response to Job Loss Stress" (Paper delivered at the American Sociological Association Meetings, Toronto, Canada, 24-28 Aug. 1981).

30. This point is also stressed by Jeane Prial Gordus, Paul Jarley, and Louis A. Ferman, *Plant Closings and Economic Dislocation* (Kalamazoo, MI: W. E. Upjohn Institute for Employment Research, 1981), p. 157.

understanding human responses to plant closures since Hill's ABCX model.[31] Support for continuing theoretical modeling is needed. It may be possible to expand our knowledge by comparing the processes that develop as communities work through their response to a company announcement to close—or an almost immediate closure that lacks prior announcement—and the gyrations that individuals also seem to go through.

For soon-to-be displaced workers and their families and communities, the following progression may appear as responses to an announcement to close:

1. First are concern, shock, and what some would call grief.
2. Then comes hostility and anger, and blame is lodged for the cause of the closure.
3. Thereafter, a game plan is developed, with contingencies, but only after a period of discussion of the alternatives.
4. During a waiting period—a period of adjustment to determine whether it is all a bad dream or which of the contingencies needs to be put into play, but clearly a period of hope—there is the waiting for more news and for greater detail of corporate plans or community efforts.
5. As community resources are being marshaled, individual family units also broaden and put together a supportive base, discussing with others, gathering information, firming up informal commitments, determining what others are doing.
6. Then there is the aftermath of the closure itself and the attendant repercussions with some—now small numbers of—families and communities believing that the closure was helpful, creating a stronger, more diversified community or a test of family values, which, if members did well, would prepare them for the future; while others—individuals, family units, and communities—may be quick to report that the closure created havoc for them or their community and "it'll never be the same."

A third needed area of knowledge in job loss impacts is the need for further research on displaced-worker families. Particularly significant in this regard in both our research efforts and understanding, as well as conciliatory efforts, is the focus on children. Observing this need in a pocket of high unemployment, the Dubuque, Iowa, branch of the American Association of University Women (AAUW) undertook a project they call "Helping Adolescents Cope with Unemployment Stress."[32] Focusing on the specific problems of teens whose parents are jobless and ways to resolve or cope with those problems, the Dubuque AAUW set out three objectives: (1) to increase students' awareness of family conflicts that are brought on or aggravated by unemployment; (2) to help students see the problems from a parental point of view; and (3) to suggest ways teens can help ease family tensions. Classroom utilization of units on family stress, food, and today's economy provided the framework for scenarios and discussion questions like the following.

Scene 1. Shorty's father has been laid off for over a year and has applied for several other jobs but has always been turned down. He has just opened a

31. Hill, "Social Stresses on the Family," p. 141; one example of a recent addition to this body of theory is Leonard I. Pearlin et al., "The Stress Process," *Journal of Health and Social Behaviour*, 22 (Dec. 1981).

32. Helping Adolescents Cope with Unemployment Stress, Dubuque, IA, branch of the American Association of University Women, 1983.

notice about an overdue bill when Shorty arrives home from school and shows him that the whole side of one of his tennis shoes was ripped out in gym class that day. "I need a new pair of Nikes right away," Shorty declares.

1. How was Shorty's father feeling when his son came in?
2. What will he probably say about a new pair of Nikes?
3. How will Shorty react to his father's response?
4. What would be the best way for both of them to handle this problem?

Scene 2. The family has just sat down to eat supper. Shorty's father, who never cooked before he was laid off, had prepared macaroni and cheese. Shorty hates macaroni and cheese, so he throws down his fork and exclaims angrily, "Why can't we ever have anything decent to eat around here?"

1. Can you understand how Shorty feels? Could he have expressed it more kindly?
2. How will Shorty's criticism affect his father?
3. What might the rest of the family say to make both Shorty and his dad feel better?
4. What are the chances of turning this into a pleasant meal after all?

Scene 3. Shorty's father has found a temporary job, but he has to live 100 miles away and can afford to come home only once a month. This leaves Mother in sole charge of the house and children. One day Shorty's older sister, Flossie, asks for money to go to a movie with her friend, Taffy.

"Movies are too expensive for us just now," Mother answers, "but I can spare a dollar, if that will help you out."

"Oh, Mother," Flossie drawls disgustedly. "Don't you know a buck won't buy anything these days? C'mon, Taffy, let's get out of here."

"Be home by ten!" her mother calls, but Flossie does not answer, and the front door slams.

1. What do you think of Flossie's behavior? Did having her friend there make it worse?
2. How will Mother be feeling the rest of the evening? If you were she, would you punish Flossie or not?
3. Is there anything Taffy could have done to help this situation?
4. Is there anything you can do for $1.00 these days?

Teen years, in and of themselves, are stressful periods for family relationships, and job loss may simply exacerbate those tensions for several reasons, including: (1) less money to use for fun; (2) having the unemployed parent around the house a good deal more; and (3) perceiving some peer or community social distance or stigma as a result of parental job loss, the use of public support aids, or the financial cutbacks so commonly used as an adjustment. Parental role-reversal and difficulty in finding a summer position because unemployed adults compete for the same positions are additional adjustments for teens.

Fourth, effective public policy will require that we understand more about the long-term impact of job loss and the duration of informal support aids from extended family members. Longitudinal studies will be required to provide such basic information.

CONCLUSION

Plant closures have required displaced-worker family units to make extensive readjustments, even for a period in the mid-1970s when many workers expressed

a view that their job loss provided new opportunities. These adjustments, necessitated by being without work, are made all the more difficult when new work is difficult to find. Not only do these difficulties plague blue-collar workers in manufacturing, but the new poor are also confronting nonwork and the need for social agency assistance.

Responses from those involuntarily unemployed indicate they are more likely to rely on informal support from extended families during these difficult periods of unemployment, but we do not know how capable the extended families are of providing that support over an extended time period. Moreover, those pushed into a net of formal supports find the stigma nearly overwhelming, with the dissatisfying ripple effects of being a recipient of public goods felt by the children of the unemployed. For some of those without work, there exists a general aimlessness, a description not much different from those who felt the anguish of the Great Depression.

Much needed research on several aspects of job loss must be considered a prerequisite for effective public policy. This research includes, but is not limited to, longitudinal and comparative studies that will provide knowledge on the impacts of unemployment on children, and alternatives that provide for a good adjustment, as well as the advancement of a grounded theoretical understanding of job-loss stress.

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The Human Resource Implications of Plant Shutdowns

By JEANNE PRIAL GORDUS

ABSTRACT: Human resource programs that were developed to serve those displaced by plant closings have been fragmented. Participation rates have been low in placement, job search assistance, relocation, and retraining programs, and results have not been particularly positive. Great emphasis was placed upon serving those in need when programs did develop. The fragmentation characteristic of previous policy—or nonpolicy—seems to have undergone considerable organization and rationalization with the advent of the Job Training Partnership Act (JTPA) and the association of several major labor-management displaced worker programs with the federal-state program. This change tends to emphasize placement and to focus upon training exclusively. As a result, not only will disadvantaged workers compete with displaced workers for training resources and jobs, but participation in programs for displaced workers will be encouraged for those who are most advantaged, thus consigning a large number of less-advantaged displaced workers to underemployment, permanent unemployment, and eventual dependence upon income maintenance.

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IN the past, when a plant shut down—when there was no longer any hope that concessions or employee buy-outs could save the jobs—what choices did displaced industrial workers have? If they could not retire, they could have done one of three things; reenter the labor market directly, relocate, or retrain. Faced with this same situation and the same limited choices, what have human resource programs done? Sometimes they have attempted to assist displaced workers to reenter the labor market, relocate, or retrain.

What happened as displaced workers from plant closings and human resource programs faced the problems and choices together? Not much.

Why? This article argues that previously developed programs ignored the constraints and resources of displaced workers while workers were either not informed or ignored information about the labor market. Decision making on both sides suffered.

What happened then? Often, more bad decisions resulted.

Why should all this be reviewed? Because plants continue to shut down and workers continue to suffer permanent job loss, as a result of foreign competition, technological change, and industrial restructuring. Unless adequate information, support, and resources are provided and well-informed decision making can take place, we run the risk of the permanent disemployment of hundreds of thousands of American workers even when some jobs are available. We run the risk of training for jobs that will never exist or for jobs that will disappear in a few years. We also run the risk of attributing the blame for prolonged unemployment to workers for not participating in programs when in fact they could not do so. Through this blame, it is also likely that those workers' chances in the labor market will be even further reduced.

LABOR MARKET REENTRY AND JOB SEARCH ASSISTANCE

The plant-closing policy literature provides an interesting and checkered pattern of search/placement programs, participation levels, and results. A recent review of nine studies shows that participation rates in programs providing placement assistance in plant closings vary widely, ranging from a 1 percent participation rate in a Fort Worth closing to a 70 percent rate in the Mack Truck plant closing.[1] In general, when data are available about participants and nonparticipants in programs, participants are older—39.2 years versus 37 years—and have higher seniority—11.3 years versus 10.8 years.

Age has long been known to be a critical variable for those who are unemployed. The displaced older workers are unemployed for a longer period, have less successful reemployment experiences, and sometimes fail to gain new employment at all.[2] Older workers encounter significant barriers—both economic and noneconomic—to relocation, including home ownership and community attachment. Age is also a problem for retraining since the economic returns for retraining will be reduced due to limited time at the new

1. Jeanne Prial Gordus, Paul A. Jarley, and Louis A. Ferman, *Plant Closings and Economic Dislocation* (Kalamazoo, MI: W. E. Upjohn Institute for Employment Research, 1981), p. 79.

2. Michael Aiken, Louis A. Ferman, and Harold B. Sheppard, *Economic Failure, Alienation, and Extremism* (Ann Arbor: University of Michigan Press, 1968).

occupation. Noneconomic barriers to retraining include lower educational level associated with higher age plus considerable apprehension about returning to school.

It has been suggested that older workers have attempted to compensate for the liability of age by choosing job search assistance and placement programs. But, because of the unfavorable demographics of participants—older, less educated, fewer skills, more firm- or plant-specific skills—it is difficult to assess their success or failure. Early programs certainly did not appear to help participants. In the Mack Truck closing, only 5 percent of the placement program's participants found jobs through that channel. One study showed that those who received assistance in job search had post-program earnings of $7120 annually compared with $7875 shown by reemployed workers from the same plant who did not receive job search assistance.[3] Any number of reasons can be advanced for this result, including the fact that participants had lower pre-program wages than nonparticipants, even though the lower skill and educational level, combined with other disadvantages, may actually have been marketed better by the placement program than participants could have managed on their own.

In the 1970s the idea of the job club, first developed for hard-to-employ clients, was used for displaced workers. There is some evidence to suggest that workers displaced from closings who participated in the well-known and successful Downriver Community Conference (DCC) Program[4] either resisted job clubs or became too dependent on the step-by-step process that the Azrin job club model requires. Job clubs assume two things. One is low motivation on the part of participants not only toward job search but toward work. This assumption of low motivation to search for low-paying jobs may be accurate for displaced workers; low work motivation is not characteristic of displaced blue-collar workers. The other assumption is that there are jobs. Often the local labor market in an area with one or more plant closings simply has a job deficit.

However, when the local labor market has an adequate stock of jobs and when job search skills are taught to displaced workers from a plant closing, some success can be shown. During the first phase of the DCC Program,[5] 56 percent of those who participated in the job search training, which was required of all participants, were reemployed.

If the sparse data we have provide any indications about successful versus unsuccessful job search approaches, it is that plant closing workers lack information about themselves and the labor market. Programs designed to increase their information and their job search skills do succeed when jobs exist. This suggests that plant closing workers do engage in a cost-benefit analysis, just as theory indicates job searchers do. Workers from plant closings will resist costly job search/retraining/relocation efforts in favor of those with lower costs.

3. Gordus, Jarley, and Ferman, *Plant Closings and Economic Dislocation*, pp. 80-82.

4. Jane Kulik et al., *Reemploying Displaced Workers: The Implementation of the Downriver Community Conference Economic Readjustment Program* (Cambridge, MA: Abt Associates, 1982), pp. 9-11.

5. Ibid., pp. 9, 23-27.

If one indisputable fact has emerged from research about plant shutdowns, it is that workers prefer to reenter the labor market close to home and that they will resist other higher-cost options until it is clear that no success at local job search will result for them.

RELOCATION AND RELOCATION ASSISTANCE PROGRAMS

Relocation assistance can be available in two general forms after a plant closing. In some cases there are collectively bargained rights of transfer. There have been public programs as well, including the Trade Adjustment Assistance (TAA) provisions.

We have some interesting evidence showing that when both blue-collar and white-collar workers are displaced by a plant closing, white-collar workers have very different job search behavior than blue-collar workers. White-collar workers will begin job search very early and they will relocate for new jobs.[6] These two characteristics may actually be related. The perceived failure of the early job search may very well be the impetus for a decision to relocate. This point may have relevance for blue-collar plant closing workers' decision making, since their later job search, undertaken when the labor market is already unable to absorb the results of the closure, may coincide with the end of unemployment benefits. Relocation might be chosen as the only available course at that time, and that type of uncommitted relocation followed by a return is a consistent feature of the plant closing relocation literature.

A recent review of four relocation studies provides most of the available information about collectively bargained transfer programs.[7] The studies cover a variety of plant closings, including auto, steel, rubber, glass, oil, truck manufacturing, meat packing, and food processing. In the truck-plant situation, management did not wish to facilitate transfer and through a variety of obstructive techniques reduced incentive to relocate. The strategy met with some success, and 10 percent chose to relocate. Despite management's attempt to reduce relocation, that 10 percent rate is not very low in comparison with others. In another case, where a provision allowed workers to move to the new location to try it out and then choose to stay or to accept termination, with severance pay—a policy planned to facilitate a good decision—the relocation rate was 17 percent.

The best collectively bargained relocation provision described in the literature included the retention of seniority rights at the new location. Retention of seniority in a relocation is an important benefit to workers, and the result of this transfer policy was the highest relocation rate in the literature, 22.7 percent. This policy was also costly, since moving expenses and one week's pay were also provided.

Even transfers, moves to an assured job with a known income, often result in a return home. In cases in which workers could relocate temporarily and return with no loss of severance, 15-20 percent returned. Even the transfer policy that protected seniority did not hold all the workers at the new site. In that case 25 percent moved back to the old

6. Gordus, Jarley, and Ferman, *Plant Closings and Economic Dislocation*, pp. 104-7.

7. Ibid., pp. 104-17.

location. Relocation, it must be noted, is highly correlated with wage gains. One study showed, for example, that relocators had an income gain of $3093 compared with those who chose to reenter the local labor market. Of course, local labor market entrants may have closed the wage gap after gaining some experience in the new job or occupation.

Relocation is chosen, as one writer has noted,[8] mostly by those who do not need to move. Comparative youth, comparatively high skill level, and comparatively high educational level are all associated with relocation. On average, the younger, more highly skilled, and better-educated have a better chance in any labor market. It is important to stress that the low relocation rates cited here are associated with assured and relatively comparable jobs. The effect of this assured job for the plant closing worker making the decision is to reduce uncertainty. The worker, in such cases, knows the benefit—the wage at the new location—against which to balance the economic and noneconomic costs of the move, something not available to those who relocate and then search for work.

A further point needs comment. Most of these studies were done in periods when the two-wage household was not as common as it is now. Early studies show that women almost never relocated, especially married women, since they were usually secondary wage earners and such a move was not often reasonable. The two-wage household is yet another disincentive for relocation as a major plant closing policy.

Public policy developed to facilitate relocation has not been particularly successful, as one might predict. Some emphasis on relocation was developed during the Trade Adjustment Assistance (TAA) programming available to workers from trade-impacted industries. However, many of these workers were laid off as a result of massive layoffs and partial closures, and many, estimated to be between 70 and 80 percent, actually returned to the original employer.[9] It is not surprising therefore that less than 6 percent of TAA participants elected to relocate with the moving expenses and other assistance available through that program.[10] More recently, we find the relocation component of DCC providing a carefully designed and well-implemented program to help those who wish to move after an initial trip to search for a job. After a job offer that meets the TAA guidelines—providing 80 percent of the former wage—is made, a lump sum for start-up costs, moving expenses for the family, transportation, and per diem were provided. Still, from August 1980 until the end of September 1981—DCC's first phase—52 participants, or 8 percent of the total enrollment, relocated. Of these, about 10-15 percent have returned.[11]

It is clear that, as a human resource policy, relocation works best—if it works at all—when it is collectively bargained. In that case, a major problem—uncertainty—is reduced, while the costs are often reduced by moving-expense reimbursement. Moreover, the benefits—the wage at the new site—are known. Yet, even in this case, when the costs and

8. Ibid., p. 97.

9. Martin S. Feldstein, "Temporary Layoffs in the Theory of Unemployment," *Journal of Political Economy*, 84:937-57 (1976).

10. Walter Corson et al., *Survey of Trade Adjustment Assistance Recipients* (Princeton, NJ: Mathematica Policy Research, 1979).

11. Kulik et al., *Reemploying Displaced Workers*, pp. 27-32.

benefits are known, and uncertainties reduced, relocation is consistently rejected. Fortunately, public policy has moved away from relocation as a human resource strategy. Whether or not the direction chosen is more productive remains to be seen.

RETRAINING AND RETRAINING ASSISTANCE

At the present time, public policy emphasizes retraining as the primary, if not the sole, solution to the problem of structural unemployment, including plant closings. Retraining, of course, simply represents another type of mobility. While those who relocate move geographically to obtain employment, those who retrain change occupations from declining sectors to growing occupations. Some theoretical formulations support retraining as an adjustment measure. The assumptions underlying such an approach include the idea that workers from plant closings may exhibit skill shortages that make them ill equipped for new jobs requiring different skills. Neither side of this assumption has been either proved or disproved. However, research currently in progress[12] has already provided evidence that one category of workers, displaced due both to plant closings and to layoffs, are not particularly short of skills in areas where jobs are expected to be. Recent estimates from the Bureau of Labor Statistics (BLS) for jobs to be created by 1990 give the occupations specified in Table 1 as the sources of most new jobs.

Only three of these jobs—nursing, teaching, and truck driving—require any retraining. Certification demands some training for truck drivers, while nursing occupations require a serious and prolonged retraining effort. Many of these jobs, notably teaching, will not be available for several years. Still, one might reasonably argue that many jobs not yet created or imagined might arise and require skilled workers. However, without some idea of the content of these jobs, training programs cannot be designed except in the most general terms, with components that are broad based and flexible, such as mathematical and computer skills.

These microlevel concerns are often dismissed, since the idea of human capital is actually a macrolevel concept. Originally developed as a residual explanation for a rate of growth in the American economy that grew after World War II at a faster rate than capital inputs could explain, human capital explanations fared well when the returns to investment on education were higher than other returns on invested capital. That rate of return is now lower, but the idea still drives much program development. While it is true that private industry spends considerable funds for training, the level has been relatively low overall, totaling about 10 percent of the amount set aside for capital expenditures.[13]

What is the record of retraining efforts associated with plant closings? As with other plant closing interven-

12. Jeanne Prial Gordus et al., *Labor Force Status, Program Participation, and Economic Adjustment of Displaced Auto Workers*, University of Michigan Displaced Auto Worker Study Report no. 3 (Ann Arbor, MI: Institute of Science and Technology, 1984).

13. Pat Choate, *Retooling the American Work Force: Issues and Federal Options* (Washington, DC: Northeast-Midwest Institute, 1982).

TABLE 1
TEN OCCUPATIONS WITH LARGEST JOB GROWTH, 1982-95

Occupation	Change in Total Employment (in thousands)	Percentage of Total Job Growth	Percentage Change
Building custodians	779	3.0	27.5
Cashiers	744	2.9	47.4
Secretaries	719	2.8	29.5
General clerks, office	696	2.7	29.6
Salesclerks	685	2.7	23.5
Nurses, registered	642	2.5	48.9
Waiters and waitresses	562	2.2	33.8
Teachers, kindergarten and elementary	511	2.0	37.4
Truckdrivers	425	1.7	26.5
Nursing aides and orderlies	423	1.7	34.8

SOURCE: George T. Silvestri, John M. Lukasiewicz, and Marcus E. Einstein, "Occupational Employment Projection through 1955," *Monthly Labor Review*, 106(11):45 (Nov. 1983).

NOTE: Includes only detailed occupations with 1982 employment of 25,000 or more. Data for 1995 is based on moderate-trend projections.

tions, the data are not extensive, nor do they support close analysis. In general, the record has not been particularly encouraging. In an analysis of published literature on retraining programs to assist with plant closing displacement, it was noted that participation was low, ranging from 6 percent of the eligible workers at one site to 16.4 percent of those eligible at the plant closing site with the highest participation rate.[14]

Only the most general remarks can be made about these early retraining efforts. Women enrolled in disproportionate numbers. There are several plausible explanations for this, including the fact that women in two-worker households probably had lower opportunity costs for retraining while other options, such as relocation, were obviously less attractive to them than occupational mobility.

14. Gordus, Jarley, and Ferman, *Plant Closings and Economic Dislocation*, pp. 104-7.

It is important to note that the retraining literature also shows that retrainees do not have post-program wage rates as high as their earlier wage rates. Again, there are many explanations for that, but besides the obvious switch from high seniority, with high value placed upon firm-specific skills, to entry-level positions, there is a possible connection between the high rate of female participation in retraining and low wages. If retraining programs were developed for the lower-paying service occupations, men may have continued to decline to participate while women screened themselves into programs with placements in occupational areas with lower wages.

The BLS data shown in Table 1 seem, on the surface, to predict jobs that are low paying, in the service area, and traditionally associated with women. However, as we know, workers from plant closings tend to be chiefly male.

More recent programs have not yet been evaluated, although some analysis

has been completed for some programs. In Table 2 we present some information about 14 examples of small and large programs featuring retraining, job counseling, and placement activities.

These examples of displaced-worker training programs, although many are still in progress and others are completed but not thoroughly evaluated, provide some information important for policy development. Programs that are closely geared to the requirements of the local labor market do well. In Bridgeport, in Des Moines, at the Downriver Community Conference, when displaced workers are trained for jobs that currently exist—and when that training is designed to relieve employers of training costs—the outcomes are good.

The implications of that predictable result are several. First, there must be jobs for which people are to be trained and there must be information about those jobs. Clearly, retraining programs are geared to labor markets with some opportunities, a situation that does not prevail in many areas of the country where plant closings continue.

A second implication is that when retraining is chosen as a major emphasis, and when post-training placement rates are important, choices about the most trainable participants are made. It is not clear, however, that even a majority of plant closing workers would be assessed as good material for retraining programs.

A third implication of the information presented in Table 2 is that programs that work cost money. Since resources are inadequate—although $3.7 billion is authorized for the Job Training Partnership Act, only $0.1 billion is specifically for displaced-worker programs—and displaced workers are plentiful—estimates range from hundreds of thousands to more than 2 million—there is a distinct mismatch between the funds available for retraining and the numbers to be served. The implication of that is equally clear; participation rates may not need to be increased in general, but participation of some will be encouraged while the retraining of others will not.

PARTICIPATION, NONPARTICIPATION, AND THE NEW TRAINING INITIATIVE

We have discussed participation extensively in this article, to the point at which it may seem as though participation has been the sole evaluative criterion. In fact, that is very nearly true, for we have few data about most retraining programs that have occurred in the past besides participation rates. However, since retraining has become the major, if not the sole, public policy response to plant closings and massive layoffs, placement rates will take on critical importance and will change the emphasis upon participation from how many participate to who the participants are.

In the past, blue-collar workers from plant closings have had virtually no mobility in their working lives. Apart from the indefinite layoff and the recall, most industrial workers have been rewarded for endurance and have sought stability within a relatively narrow job structure. Termination, even by the obviously permanent plant closing, often elicits a passivity that needs to be understood within the context of a work history that has rewarded workers for relinquishing their career development planning to others. This passivity is a perfectly reasonable response considering that plant closings occur in tight

TABLE 2

EXAMPLES OF STATE, LOCAL, AND PRIVATE TRAINING PROGRAMS

Program Title	Program Activities	Program Operators	Funding	Results	Time Span	Target Area/Population
California Economic Adjustment Team (CEAT)	Readjustment, reemployment, and retraining assistance to workers dislocated by plant closings	California Economic Development Dept., Dept. of Econ. and Business Development	$2.5 million of state funds for current year	15 programs have served 25 firms, 300,000 workers (1980-82).	Since 1980	State of California Displaced Workers Project
Metropolitan Reemployment Project (St. Louis, MO)	Counseling program for laid-off workers	St. Louis Regional Commerce and Growth Association, St. Louis Community College	$330,000 from philanthropic and federal sources (1983)	1972 persons served. Cost per client: $98. Cost per placement: $315.	Since 1979	St. Louis metropolitan area
Copper Workers Retraining Program	Retraining	Nevada State Employment Security Dept.	$250,000 from U.S. Dept. of Labor (1978-79)	87 persons enrolled; 82 trained; 82 employed. Cost per trainee: $1253-4666.	1978-79	Carson City, Nevada, workers displaced by copper imports
Mayor's Task Force on Plant Closing and Job Retraining	Retraining, reemployment, and job search assistance	United Way of Iowa, AFL-CIO Community Services Dept.	$362,062 of federal and state CETA funds, 1981-82	Job search: 198 served; 62 placed. Cost per placement: $2475. Retraining: 119 completed; 102 placed.	Since 5/81	Des Moines, Iowa
Goodyear Tire and Rubber Career Continuation Program	Job search clubs	Career Development Team, Inc.	$300,000 of company funds	Served 327 salaried participants at cost of $325 each; placed 119. Also placed 1/3 of hourly-worker participants at $157 each.	11/79-3/80	Los Angeles, CA; Conshocken, PA
Crucible Steel Job Search Club	Job search club	Penn State CETA	$56,000 of CETA, company, and union funds	99 displaced workers, 62 placed.	5/81-8/81	Former employees of Crucible Steel
Bridgeport Employment and Training Administration Retraining Program	Retraining	Bridgeport Employment and Training Admin.; Teamsters; County Schools, Inc.	$27,300 of CETA funds	16 enrolled; 16 placed. Cost per placement: $1700.	1/79-3/79	Teamsters of Bridgeport, CT

Lehigh Valley Cement Workers Retraining Project	Retraining	Lehigh Valley Manpower program, Bethlehem Chamber of Commerce, Lehigh Valley Private Industry Council	$211,000 of CETA funds	99 completed program; 62 were placed.	5/81-8/81	Lehigh Valley, PA; cement workers
Downriver Community Conference Economic Adjustment Program	On-the-job training, classroom training, job search, relocation assistance, technical assistance to businesses	Downriver Community Conference	$4 million of CETA funds (1982-83)	663 participants; 63% placed at a cost of about $2000 per enrollee.	Since 7/80	Wayne County, MI; displaced workers
Moog, Inc. Metalworking Trades Training Program	Classroom and shop training in basic metal-working skills	Moog, Inc., Buffalo and Erie County Private Industry Council	$1.4 million of CETA funds	100% of enrollees placed.	Since 4/79	East Aurora, NY; displaced workers
Ford-United Auto Workers National Development and Training Center	Retraining	A variety of local educational institutions	5¢ of every $1 negotiated in current Ford/UAW contract	Current estimates suggest that almost 20% of those eligible for retraining, placement, and career counseling are enrolled	Since 1982	Nationwide; displaced UAW members
GM-UAW Autoworkers Retraining Program	Retraining, job counseling, placement	Local educational institutions	$10 million: $4 million from UAW-GM contract fund, $6 million from federal and state funds	Program just beginning	4/82	GM employees of Fremont and South Gate plants, CA
Hayward Community Plant Closure Project	Retraining, job counseling	Plant Closure Committee: Mayor's Office, Mack Truck, UAW, CETA	$216,000 of CETA and union funds	372 enrolled	Since 2/81	Employees of Mack Truck, Hayward, CA
Program in Applied Science	Training in applied science	Harvard Extension School	Supported by tuition cost of $2500-3500 per enrollee	Program just beginning	Since 9/83	Bachelor's degree holders

SOURCE: U.S., Congress, Office of Technology Assessment, *Retraining Displaced Adult Workers for Jobs in the 1980's and 1990's*, prepared by John Hansen, 98th Cong., 1st sess., 1983, pp. 24-30.

labor markets and benefits are provided to sustain income until other jobs surface that have the same characteristics and that reward the same attributes. Passivity, however, is obviously no longer appropriate.

In the past, most plant closing programs accepted the sorting of participants that the labor market provided. The result was, as the literature suggests, that those who could not or did not reenter the labor market directly and easily sought assistance through programs. Thus participation in retraining most often drew those who had a need for some assistance, those with lower-than-average pre-closing wage rates and those with no opportunity to relocate and with low wage expectations, such as displaced women workers.

The current situation, in contrast, puts pressure upon providers, including those labor-management programs that are partly funded by government moneys, to recruit those who would not have participated in the past, namely, those better advantaged, all other things being equal, to find employment on their own. Such careful selection—and often limited selection as well—is not new to employment and training. However, it will become more critical as program refunding depends upon placement in a labor market where opportunity appears to have constricted considerably. Generally, it can be expected that participants in new training programs will be younger, with higher levels of skills—although probably not skilled workers per se, who will still have considerable opportunity—and with a higher level of educational attainment. This type of participation is precisely what theory would suggest as appropriate, for training costs will be lower due to higher levels of educability, and the investment will have a longer period to provide benefits to retrained workers and to the economy at large.

Once again, in contrast to the past, nonparticipants will be those who are less advantaged to begin with and for whom no other possibilities are likely. This new sorting process, which appears to be an inevitable result of the new program designs and objectives of retraining, has very serious implications indeed. For example, the absence of stipends attached to retraining means that those whose unemployment insurance benefits have been exhausted can retrain only at their own expense, using savings, the earnings of other family members, and/or the proceeds of full-time or part-time work. Very often, it is the older worker—less advantaged from some perspectives and often a poor investment bet for retraining—who has savings and a working spouse—often a wife whose homemaking responsibilities have been reduced as children have grown—who can take advantage of retraining, since some funds are available. The younger workers, those whose trainability and good prospects for placement and expected return on investment, originally sorted into retraining, will have fewer financial resources and will not be able to retrain.

Retraining programs therefore risk serving a small group whose personal and financial resources are extensive—those who, research has shown, do well without program participation. Program participation will not be possible for those with limited personal and/or financial resources who might have benefited. Thus scarce funds may be targeted to help those who need less help and may result in a less productive use of those funds than another strategy might permit.

Other workers may be denied assistance because of local political considerations. It will be very difficult for local officials to move quickly to assist workers in a shutdown at an early stage when previous closings have left others unemployed. Those from earlier closings will have already exhausted their unemployment benefits. They will therefore have to work, leaving no time for retraining and thus creating a serious inequity.

A major concern voiced by leaders of minority groups has been the shift of funds and attention from the disadvantaged unemployed—who have never had a strong labor force attachment—to the displaced unemployed who have, until the layoff, been at a comparative advantage. Such a scenario would unfold with even fewer of the disadvantaged gaining training and subsequent employment since limited funds and contracting labor market opportunities will be won by displaced workers and lost to disadvantaged, hard-to-employ individuals. The result would be an enlargement of the permanent underclass.

Another scenario is beginning to unfold as well, this time within the ranks of the displaced workers from plant closings and massive layoffs. That is the possibility of competition among the displaced workers for the relatively few retraining and employment opportunities available, with the emergence of relatively few winners. Displaced workers from two of the major automobile firms are more likely to be winners because additional resources can be deployed for a range of educational opportunities and programs not available to other displaced workers. Women will fall into two groups. Those who are secondary wage earners may be advantaged by retraining, especially since many jobs in growth occupations are traditionally held by females. Single women with dependents and one income will be seriously disadvantaged.

In general, the winners will be those who are highly trainable and who also have either short durations of unemployment and continuing benefits or a high level of personal resources—in short those most likely to have relatively positive outcomes without assistance. The losers will be all the others, those whose plant closings occurred before retraining opportunities were available, those who are expected, because of age or education level, to be less likely candidates for high-level skill training, and those who have a high level of need for some type of plant closing assistance. From one viewpoint, this new restrictive policy may be convenient—though callous—since, without good labor market information and a high level of relevant skill training, only a few can be served, and the chances that these few can be placed are improved.

The human resource implications of plant closings have never been positive. Earnings losses, family and personal disruption, low levels of program participation, uneven levels of program effectiveness, and a patchwork set of responses have characterized the people, programs, and policies associated with plant shutdowns. But the external context has changed, making reemployment at even 50-60 percent of the former wage rate difficult for displaced industrial workers, even with some assistance. As the industrial structure has changed, public policy has also changed, moving from a patchwork response to an emerging consensus that retraining is the solution. Whether the basis of this consensus is a conviction that investment in human

capital must pay off; whether it is founded on a conviction that displaced American workers, in the face of no compelling evidence, really do lack skills for emerging occupations requiring skills; or whether retraining looks like a good strategy because it buys time when there are not many jobs available anywhere is not clear. It is probably a combination of all of these.

However, the specific form taken by this new policy initiative has constraints. It focuses upon retraining and provides no stipends during retraining, thus selecting for the newly unemployed or the relatively highly advantaged displaced industrial worker. It has no other components to serve the needs of those who either do not select or are not selected for retraining programs. It substitutes the desire for programs with high placement levels for the operation of the labor market. Previously those who participated in programs were those in greater need since their job search efforts had not been rewarded and they turned to programs for assistance in reemployment and retraining. Now it is likely that those who need programs the least but who are most likely to contribute to those high placement rates will be chosen and, depending upon their personal resources and/or their willingness to retrain while working at survival jobs and/or their relatively recent unemployment, an even smaller number will actually retrain.

It is highly probable that many displaced industrial workers will, in this new era, fare worse than they would have at earlier periods, in part because of the external environment but also as a result of public policy that is clearly designed to provide advantages to those already advantaged. Ultimately, a larger group of permanently unemployed will result. These individuals will be blamed for their unemployment since they did not participate in the retraining programs that were supposedly available.

Considerable evidence has been developed to show that those who attribute responsibility for their unemployment to themselves and responsibility for reemployment to agencies outside themselves have the least success in job search.[15] Agencies providing programs must either serve those most likely to succeed or risk failure; so those agencies, by avoiding failure and the blame for failure, help shift the blame to displaced workers.

CONCLUSION

When a plant shuts down, what choices will the displaced workers have? If they cannot retire, they will choose to retrain very rapidly or take their chances without retraining in the local labor market or elsewhere.

What will human resource programs do? Those programs will move rapidly to recruit the most trainable and the most reemployable individuals from the closing plant, so that retraining can take place while unemployment benefits are still available to retrainees.

What will happen under these circumstances? A very small proportion of the workers will actually take retraining and, depending upon the local labor market and the quality of the program, these few workers and some programs will be successful, but at the expense of the majority of the displaced workers.

Why? Our public policy has moved from a posture that disregarded the

15. Paul J. Andrisani, "Internal-External Attitudes, Personal Initiative, and the Labor Market Experience of Black and White Men," *Journal of Human Resources*, 12:308-28 (Summer 1977).

human resource problems associated with plant closings. It either passively permitted or actively assisted a patchwork set of responses that served those who could not become reemployed easily through their own efforts. The new policy initiative attempts to draw these patchwork responses together and to promote, through a variety of institutions, retraining as the solution to this problem.

Since displaced workers are numerous and resource limitations have been imposed, selective recruitment for retraining is inevitable and replaces the operation of the labor market, which was the mechanism for program selection until recently. In the past, those whose protracted unemployment indicated that their chances in the labor market were poor selected themselves for program participation. Now, those individuals will probably suffer continued unemployment at best, and permanent unemployment is a real possibility for many of them.

What will be the result of this policy? Ultimately, the costs associated with this permanent unemployment and underemployment will be borne by the displaced workers and by the taxpayers. Continued deterioration of physical and mental health of these individuals and their families will, without the intervention of a more equitable and enlightened policy, place enormous burdens upon publicly funded medical care programs and upon income maintenance programs.

It is absolutely essential that both public and private costs associated with closings, as well as public and private benefits, be calculated and that an adequate share of these adjustment costs be borne by a combination of public and private sources. No one blanket policy will work in every instance. A variety of remedies are available, including shared work, reduced work weeks, phased shutdowns—all of which permit early job search and retraining. Assistance should be targeted to those who need it as well as to those who will succeed. Retraining can function at various levels, including the very basic reading, writing and computational skills needed by some workers as retraining for new jobs that require such skills, unnecessary in the old jobs. Protracted job search assistance and extensive job development is essential, and subsidies to employers who will provide ultimately profitable on-the-job training can be powerful incentives to hire some—though not a great many—displaced workers. For those—especially older workers—with good severance settlements and other lump-sum payments, programs can be established to help them—with or without collaboration from other displaced workers—to set up small business enterprises.

It is clear that little good information was developed from earlier plant closing interventions, and it is possible that this small amount of poor information has led to the development of a policy toward the human resource problems of plant shutdowns that is arguably worse than the earlier nonpolicy. Despite the difficulties, it is important that the results of this new restrictive and selective policy be studied closely so that its real costs in terms of permanent unemployment, underemployment, and associated personal disruptions are made very clear. Such information will be critical when it is finally possible to develop programs and policies to take serious steps toward reducing the problems associated with industrial restructuring.

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Responses to Plant Closures and Major Reductions in Force: Private Sector and Community-based Models

By RUTH H. FEDRAU

ABSTRACT: Major structural changes are sweeping the national and world economies. The United States is shifting away from the basic industries and toward an economy based on more specialized production, services, and information exchange. The effects of this shift—unemployment, plant closures, and major reductions in force—disrupt the work force and the communities that support it. The public and private sectors have a stake in developing nondisruptive approaches to plant closures and layoffs and the transition of affected workers to other occupations. The private sector has developed some positive responses, from employment security and profit sharing, to buffering the job transition for workers when no alternatives to termination can be found. Models currently being used are state of the art. Communities have also taken a proactive stance as closures and layoffs threaten their economic survival. The community-based model is very similar to the private sector worker-transition model, except that it features the community in a leadership role. Communities are encouraged to develop an economic crisis plan for use when a major facility closure or layoff occurs.

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SWINGS in the business cycle and random business failures are no longer the sole cause of nearly all unemployment. Major structural changes are sweeping the world economy and uprooting old patterns of production and employment. Analysts as varied as Peter Drucker, Robert Reich, and John Naisbitt have noted that the United States is shifting away from traditional mass production toward an economy based on more specialized production, services, and information exchange. This shift is being accelerated by rapid movement toward industrialization in the Third World. In effect, we appear to be moving toward a postindustrial economy while the Third World assumes our traditional role as a mass producer. Concurrently, other Western nations, such as Japan and Germany, are adapting rapidly to economic change and aiming their production aggressively at U.S. consumer markets, so the U.S. competitive edge is eroding.

Unfortunately, these long-term economic changes not only threaten our overall competitive position but also create an extraordinary amount of volatility in the economy. Domestic and international market conditions fluctuate in ways that confound the world's leading economists, much less the average business employer. And government economic policies are shifting dramatically as a crisis atmosphere forces political action. In short, the era of postwar tranquility in the world economy is over.

The result of these new economic circumstances is that U.S. businesses have been buffeted by unpredictable changes in demand, new technologies, cheap Third World labor, stiff foreign competition, high and unstable interest rates, sharp changes in factor prices—such as energy and raw materials—and changing government policies with regard to deregulation, trade, and monetary and fiscal matters. We are also seeing an accelerating change of the structure of corporate America. The proposed mergers in the steel industry, for example, reflect corporations' requirements to cut their losses by improving their operating efficiencies to compete with foreign steel and ensure the domestic industry's survival. Even those employers facing little or no direct foreign competition are caught up in a whirlwind of economic change.

The combination of long-term structural change in the world economy and short-term volatility is forcing companies to rethink their entire approach to survival. Every aspect of production is being reexamined, including long-term strategic planning, financial management, labor-management relations, product design, production technology, cost control, quality control, marketing techniques, producing for export markets, and more. Many adaptations involve a restructuring of the corporation, including consolidating operations, eliminating old production methods and facilities, automating, and scaling down output levels.

The question to be addressed in the first section of this article is, What kinds of response has this economic turmoil engendered in the private sector? In later sections our discussion encompasses coping mechanisms utilized by communities. Finally, we touch upon the Job Training Partnership Act (JTPA), Title III, as a federal response to assisting displaced workers.

PRIVATE SECTOR RESPONSES TO REDUCTIONS IN FORCE

Companies have approached the issue of economic shift and prospective

unemployment from a variety of perspectives, from attempting to prevent layoffs through other employment-saving strategies to the development of a comprehensive program to assist workers in their transition to other employment when job-saving strategies are not feasible.

Preventive measures

Larger Japanese employers have developed systems for preventing layoffs and terminations as part of an overall employee security approach. Some domestic firms, such as IBM, have adopted the approach that employees will not be laid off and that relocation to another IBM facility, retraining, and other policies can ensure employee security. And it is likely that protecting employee security will become more integral to business management as time goes on.

Other measures to protect employee security have been agreed upon by Ford, General Motors, and Chrysler in earlier contract negotiations with the United Automobile Workers (UAW). Experimenting with the implementation of these contractual agreements has taken several forms. At Buick's plants in Flint, Michigan, retraining is guaranteed for any worker whose job is affected by work practices or technological changes that improve Buick's ability to compete. A special Employee Development Center has been established to accomplish this purpose. General Motors, Ford, and the UAW have set up special retraining funds that are used to upgrade skills of workers—recognizing that, in the long run, better-educated workers will result in a more productive work force—as well as to retrain laid-off workers for other occupations. Program models originated in California are being adapted to plants in Michigan. Measures to ensure job security will continue to be an issue with unions as long as the introduction of new technology, automation, and methods for increasing productivity is seen by workers as means of reducing the work force.

Ann Lawrence and Paul Chown in an excellent publication identify numerous provisions in existing labor-management contracts that limit the employer's freedom to close plants, relocate plants, or lay off workers. Especially common are protections against layoffs resulting from technological change.[1] Another common protection is interplant transfer provisions. These usually give terminated workers a preferential right to job openings at other plants, subject to certain seniority requirements. Lawrence and Chown report that interplant transfer provisions are included in "about 35% of major collective bargaining agreements [that] cover almost half of all union members." Companies entering into contracts containing various types of preventive measures include clothing manufacturers, food-processing industries, newspapers, grocery chains, and automobile manufacturers, among others. While none of these contracts guarantee lifetime jobs, one comes close: a contract with the *New York Times* and the New York *Daily News* and the International Typographical Union specifies that present job holders will not be laid off for any reason other than "a permanent suspension of the publisher's newspaper."

Another measure to prevent temporary layoffs—if not terminations—is

1. *Plant Closings and Technological Change: A Guide for Union Negotiators* (Berkeley: University of California, Institute of Industrial Relations, 1983).

work sharing—a reduced workweek or reduced hours for a large number of workers during down cycles instead of layoffs for a smaller number of workers. Work sharing is designed to provide employment security during a temporary down cycle. Some states allow workers to collect partial unemployment insurance benefits while on a work-sharing program. Numerous companies have instituted work sharing, and a number of labor-management contracts give union members the option of work sharing in lieu of layoffs. Overall, however, work sharing is still uncommon in the United States even though it is widely used in Canada and some European countries.

One of the most important measures to prevent terminations in ailing industries could be radical new approaches to structuring union-management relations. The recent Eastern Airlines contract, for example, in return for $36 million in temporary wage reductions, gave its 32,000 employees a 25 percent share of the company and some ability to play a role in making management decisions. This arrangement is patterned somewhat on European approaches to labor-management relations. It indicates the depth of change that is taking place in labor-management relations in response to the specter of unemployment and bankruptcy. Unlike some of the other preventive approaches mentioned, it provides a means of averting major work force reductions even for the company that is currently in deep financial trouble.

Finally, companies that can increase their productivity through a variety of other measures are more likely to remain competitive and thereby maintain a larger share of their work force. Those that can streamline their production methods for certain product lines are finding that they can at the least avert a closure and maintain a sizable work force, albeit not, in most cases, at peak work force levels. The General Electric assembly plant in Louisville, Kentucky, which manufactures dishwashers, made certain improvements in its assembly line procedures and by doing so was able to retain a substantial number of employees—up to two-thirds of its prerecession capacity. A totally different efficiency-oriented effort has been made by General Motors in its plan to reorganize its corporate and division management structure.

Advance notice of plant closings and terminations

One of the most sensitive and difficult issues surrounding work force reductions is that of whether and when advance notice should be given. It has been addressed through labor-management contracts, voluntary employer response, and, in a few cases, state legislation. Lawrence and Chown note that "about 15% of all union contracts now require advance notification of plant closures or union participation in the decision to close. Many more contain less specific language which requires some notice of layoffs, for whatever reason."[2] Voluntary advance notification also occurs frequently.

Experience suggests that early notification can be useful to both the company and the affected employees. It allows the firm more time to plan the phase-out schedule, and to prepare its work force for the termination via outplacement assistance. More important, it provides the affected workers with

2. Ibid.

time to plan for a new career or retraining for a new occupation. Advance planning, therefore, on the part of the company and employees, can assist to reduce the stress accompanying such events. Moreover, in the majority of cases, advance notification does not result in productivity loss. On the contrary, workers are less likely to respond in a punitive manner when they perceive that their employer recognizes the difficulty of the job transition process and is attempting to buffer the impact for the worker.

Business trade associations have responded to this issue by encouraging their members to provide as much advance notice as possible. The threat of state plant-closing legislation in particular has probably stimulated state and national business groups to issue voluntary guidelines and technical assistance manuals for work force reduction planning. The California Manufacturers Association, for example, has issued guidelines that contain the following language:

> At the heart of any closure plan must be a logical notification program aimed at informing employees, the community, and certain governmental agencies and/or elected officials . . . it is urged that, whenever possible, the greatest amount of advance notice of closure be given.[3]

A specific time frame is not suggested. Similar statements have been issued by the Business Roundtable, the National Association of Manufacturers, and the Chamber of Commerce of the United States.

It is worth mention that the issue of advance notice extends beyond plant closings, layoffs, and terminations. A number of labor-management contracts now contain provisions governing advance notice of technological change. This is a complicated issue given the fact that, legally, the definition of "technological change" has not been clarified. We assume that, with the accelerating pace of technology in manufacturing and other sectors, such agreements are likely to become more common.

Although severance pay and termination benefits traditionally have been part of employer benefit packages, in recent years the breadth and depth of assistance has increased substantially. In addition to liberalizing severance pay benefits, included more frequently now are retraining and outplacement assistance, supplemental income benefits, special early retirement options, psychological and personal counseling services, extension of medical benefits, and other services or benefits related to job termination. Many of these benefits are included in labor-management agreements and, consequently, are implemented in cooperation with the affected union local.

THE PRIVATE SECTOR MODEL

As indicated previously, final severance packages contain the components of the benefits to be provided upon termination, but they typically do not describe how the benefits will be administered. Among other things, the private sector serves as a means by which these benefits can be delivered, along with other services that help fill in the gaps. This model has been adapted as appropriate and utilized by a growing number of companies, often in close cooperation with the local union. Where a labor contract is not in force, and when a range of benefits is not articulated in the final

3. *Difficult Times, Difficult Decisions: An Employer Guide for Work Force Reductions* (Sacramento: California Manufacturers Association [1983]).

severance agreement, companies often elect to augment the benefits package with additional assistance.

The goal of this private sector approach is to assist in the workers' transition from their previous jobs to new ones in occupations offering comparable wages. Research recently completed by Abt Associates, Inc., on the Downriver Community Conference project indicates that in projects such as this more workers find jobs, they stay on the job longer, and their wage rates are higher. Moreover, the conclusion reached by many companies is that such positive efforts not only create goodwill among the remaining work force and the community, but, more important, they significantly buffer the emotional and psychological impact of the termination on workers.

The model described next originated in California in 1981 and has subsequently been utilized across the country by companies and unions such as International Harvester/UAW; Jones and Laughlin, Armco and U.S. Steel/United Steelworkers of America; General Electric/affected unions; Max Factor/International Longshoreman's Warehouseman's Union; and Del Monte/Teamsters. Fortunately, the notion that a job search club is the quick, easy answer to a displaced worker's reemployment problem is no longer accepted.

Important features of the private sector model—the state of the art

To be most successful, worker transition strategies must include a variety of key components, or principles, all of which play a significant part in the effort to move workers into another job or into retraining, which should lead to a new job. Although all the components need not be in place to be effective, as the reader will note, there is an interrelationship of the various components that provides continuity, but that also allows for flexibility in planning and delivery. The principles combine a number of approaches to reemployment: self-help techniques through the job search workshop, intervention strategies through placement and counseling assistance, psychological support, and retraining when workers' current skills are redundant in the local labor market.

Principle 1: Early notification. Advance notice and timely intervention make a major difference in smoothing the adjustment for employees and allow an organized reduction in force to take place. When early notification is combined with the announcement of an on-site, comprehensive assistance program, employees have an incentive to stay on the job and continue working while they prepare for the transition. Early notification provides time to plan and schedule an assistance program that is effective and that does not conflict with the company's production and phase-out schedules. Moreover, employees are given a chance to adjust, to plan a new career and make financial adjustments before they are out on their own. It also allows for part-time retraining programs to be established, to prepare for a new job. Upon termination, the transition to a new job often can be made quickly, thus avoiding the loss of income and self-respect that can accompany job loss and inactivity. This also reduces unnecessary unemployment insurance taxes and other benefit payments that accompany long-term unemployment. In general, management and labor are able to play a more organized, active, and supportive role when employees are still at the plant and when the plant itself is still in operation.

Principle 2: Planned, ongoing communication. False rumors can be a potent barrier to cooperation and, ultimately, to employee efforts to find new jobs. An equally difficult problem is the natural reluctance of workers genuinely to believe that they are being terminated—forever. A planned program of straightforward, ongoing communication with employees and union representatives can overcome these problems. At the same time, strong promotion of assistance efforts can also assure that employees take full advantage of the services to be offered.

Principle 3: Temporary but intensive services. Assistance to terminated employees is most effective when company, unions, and community resources are coordinated in a temporary but intensive program of services located preferably on site at the plant. Ideally, assistance should begin before terminations occur and should continue for several months to a year after the final phase-out, long enough to serve all affected individuals adequately.

Principle 4: Assistance center on site. The center has consistently proven to be the most cost-effective, efficient approach to assist individuals to be terminated. It is now state of the art. It allows for an intensive reemployment effort to be mounted on behalf of the employees, direct participation by the company and the affected union or unions, and effective coordination of available resources. The worker assistance center serves as the anchor or focal point for contact with workers. It should be accepted by workers as their place; and it should operate over a finite period of time—preferably before, during, and after the layoffs, and three to six months after the final phase-out, depending on circumstances. The center gives employees a familiar and supportive atmosphere in which to conduct their job search efforts with their peers. This reduces the sense of isolation that often accompanies job loss and helps maintain contact between each employee and the program. In general, the center approach creates a vehicle for providing staff counseling and a wide range of adjustment services to employees.

The role of the assistance center can vary. Sometimes the center will be fully staffed to provide available services on site and operate as a self-contained, comprehensive employment program; in other cases the center will operate as a referral and coordination vehicle—with most services contracted out to local agencies. In these cases, the role of the center is to coordinate services for employees, keep track of progress, and serve as a central place where employees can go if they feel they are in trouble or in need of additional counseling and assistance. Some employee assistance centers strike a compromise between being a full-service program and being primarily a coordinative entity with a follow-up component.

Principle 5: Pooled resources. Community organizations and government programs can be instrumental in providing access to resources, expertise, and services to support the effort. Most communities will respond enthusiastically to help laid-off workers. Many successful programs have created ad hoc community advisory committees for the purpose of strengthening the link with local schools, business organizations, community leaders, private industry councils, and others. Also, the Title III

Dislocated Worker Program, funded by the Job Training Partnership Act, assists with funding companies, unions, and communities to pay for services to the affected workers.

Principle 6: Comprehensive services. No single approach can help all affected employees. Retraining, for example, may be required for many, but in some programs retraining has been necessary for less than 25 percent of the terminated workers. Therefore, a wide range of services should be available to workers either at the center or via referral to other service providers. Services provided at the center can be flexible but are targeted to the requirements of the work force. Program components shown to be most useful are

—self-help job search workshops and clubs;

—testing and skills assessment;

—career counseling;

—personal—for example, stress—and financial counseling;

—job development and employer outreach—identifying job openings suitable for terminated employees;

—job placement assistance;

—occupational retraining and basic education;

—emergency referral and support services, including emergency health care;

—entrepreneurial information and assistance; and

—relocation assistance.

Principle 7: Joint management-labor sponsorship of assistance. Where there is a collective bargaining agreement, the affected union can be an important asset in assisting in the worker readjustment process. Within the context of the company-union planning structure, union members can play a major role in communicating with, organizing, and providing help to their members. In most cases, employee acceptance of an assistance program can be increased greatly by formalizing a joint management-labor decision-making structure early on to oversee the program. A small committee composed of an equal number of representatives from management and labor is usually established for this purpose.

To conclude the discussion on private sector leadership in such worker assistance efforts, it should be stressed that the active participation of the employer—and the union—is critical to engendering the interest of the workers to be terminated. Proactive planning by management, advance notification, a high degree of cooperation and resource sharing among management, labor, and community agencies, coupled with a comprehensive reemployment effort can minimize the disruptive effects of displacement.

An evaluation of six private-industry council-sponsored displaced worker projects, conducted by Abt Associates, found that the uptake—participation—rate was 20 percent higher in those projects sponsored by the affected company than in projects sponsored by a noninvolved organization.

THE COMMUNITY-BASED MODEL

Two major impacts result from a plant closing or major reduction in force. First, there are the economic and

psychological difficulties that the affected employee must face; second, the local community must deal with the resulting financial and tax losses. That individuals terminated due to a plant closure or major layoff are profoundly affected has been documented by many researchers. Aside from the disruption and the loss of income and health benefits that sudden unemployment brings to the individual and the family, displaced workers often experience physical and emotional problems.

Beyond the impact on the work force at the closing plant, the effect of an industrial closure or reduction in force is often a major economic disruption for the community. Although the impact is felt immediately by the workers, the effect of the closure has a tendency to spread out over time, first to the business community, and then to the region at large. A major economic disruption often has a multiplying ripple effect that reverberates throughout the immediate and surrounding areas. The loss of the local tax base frequently has a devastating effect upon the ability of smaller communities to maintain existing levels of services to citizens and imposes severe economic distress. The result can be limited school budgets, a reduction in essential services, and a curtailment of social services. At a time when the worker and the family are most in need, these services are often diminished. In addition to the workers who are immediately terminated, individuals not directly affected by the closure are also affected. Businesses and professional and service workers depend on the local population for their livelihood. The loss of clients and customers may force them to reduce the number of employees, increasing the hardship.

Closures have been considered to be more normal in the Northeast and Midwest, which are heavily dependent upon traditional manufacturing industries, but during the past five years or so, no sector in the United States has been immune to these unsettling events. Communities as diverse as Youngstown, Ohio; Canton, Illinois; Ogden, Utah; and Hayward, Eureka, and Salinas, California, have all felt the chill of a closure announcement. Many western communities had expected to be buffered from what was considered an eastern problem. These western communities had felt quite secure with their relatively recently acquired, diversified economic base of light industry and heavy manufacturing nestled amid the lettuce fields and fruit orchards. Indeed workers had often been recruited from these nearby fields to work in the higher-paying semi-skilled manufacturing, assembly, and food-processing plants.

Most communities are not prepared to deal with disasters generally and certainly not a sudden economic disaster, which is usually what typifies a plant closure. Some communities and regions have not recovered well from the shock of a closure, in terms of either worker or economic readjustment, and urban areas already in economic decline obviously have more difficulty in diffusing the effects of closures and layoffs.

While some communities—and states—have been able to deal effectively with a closure here and there, other long-range issues have yet to be resolved. Questions such as what can cost-effectively replace the lost industry, what business or industries will remain stable, and, equally important, how to deal effectively with the human resources and skills made available—or indeed obsolete—by the

closure are difficult questions for some communities to answer.

Some communities have devised effective methods to deal with a plant closure. When Mack Truck, Incorporated, announced the pending closure of its truck manufacturing facility in Hayward, California, the mayor, the California Economic Adjustment Team, the city, community groups, and others went into action. The result was a community response that helped individuals find jobs and provided other support for the affected workers. The Hayward Model, as it is called, has been used as a model by many communities throughout the country.

The Hayward Model

On 31 October 1980, the board of directors of Mack Truck, Incorporated, announced that it was closing its production plant in Hayward, California, within the first quarter of 1981. Despite negotiations by the UAW Local 76 to keep the plant open, the company maintained its position. Seven hundred workers were laid off soon after the closure announcement and 400 in early February 1981, with the remaining leaving at the rate of 10 to 15 per week until April, when the plant finally closed. Nearly 1400 workers had been employed at Mack's Hayward facility in 1979.

The Mack Truck plant was not the first to have closed in Hayward. The community had experienced the closure of a large Hunt Wesson cannery a year earlier. Another estimated 6500 workers in the area had lost their jobs between July of 1979 and June of 1981. Although 1000 new jobs were generated in Hayward each year, these could not be expected to replace the jobs lost at Mack.

The city of Hayward is part of an extremely diverse, highly urbanized area. Although the city population is about 95,000, the population within a 30-mile radius is about 3.5 million. Hayward has many industrial parks and, according to the chamber of commerce, half of the county's industrial business in the previous 10 years had been conducted in Hayward.

Shortly after the closure announcement, the mayor of Hayward invited the California Economic Adjustment Team (CEAT) to assist her and local groups in addressing the needs of the workers. The committee convened its first meeting in late January. The meeting was attended by representatives from the UAW Local 76, District Six of the UAW, the chamber of commerce, educational institutions, and the local prime sponsor under the Comprehensive Employment and Training Act (CETA), and by staff from the Mack plant and the CEAT.

The CEAT had been established by the governor in response to the increasing number of plant closures and layoffs in California. Composed of representatives from the state's Departments of Employment Security, Economic Development, and Industrial Relations, and the governor's office, the CEAT task force was established in 1980 to help communities that face serious displacement because of layoffs and closures. The CEAT task force chose Hayward as an appropriate setting in which to define the role state agencies could play when plants close and to develop a model for state and community use.

Planning and organization. The first meeting focused on issues to acquaint members with the scope of the problem, determine preliminary needs, identify available state and community resources, and determine a course of action.

Several issues were particularly important in the Mack Truck closure. First, it was apparent that a program to assist the workers would have to be implemented quickly to be effective. Supplemental unemployment benefit funds (SUB funds) existed to provide financial security for relatively short layoff periods, but the union's SUB fund had been nearly depleted by layoffs in other states and by earlier Mack Truck layoffs. Second, it was clear that a training component was needed because many auto workers in the area already had been laid off, with the potential of flooding the labor market with large numbers of workers with similar skills. Moreover, most of the production workers were not highly skilled, so that additional training would be needed to move them into jobs with comparable wages. Finally, as indicated earlier, the potential employment problem was recognized as a serious barrier to workers' reentry into the labor market.

Important issues were identified in four broad areas: (1) retraining, (2) employer involvement, (3) counseling assistance, and (4) assessment of current worker status. The immediate tasks outlined by the committee were then assigned to organizations represented at the meeting.

1. Retraining was seen as necessary to begin soon after layoff, since workers' benefits were not extensive. Moreover, training would be designed with the local job market in mind. Efforts to involve employers in retraining and hiring were outlined. A local college already had met with the union to set up special courses that workers could attend prior to layoff.

2. Mack Truck had already made some efforts to help the workers obtain new employment. An outplacement firm conducted job search workshops for the workers. Resumes developed for the workers at these training sessions were to be furnished to the state employment service to assist their placement activities. The personnel department at the Mack facility contacted nearly 300 employers to advise them that workers were available and to request information from them about available jobs. The Economic Development Department representative agreed to coordinate efforts between the state and the local chamber of commerce to involve the business community. It also agreed to develop a financial counseling package. The local CETA prime sponsor agreed to publish a special edition of its newsletter, highlighting the skills of the available workers and outlining tax and other incentives for employers hiring Mack workers.

3. The state Department of Industrial Relations was directed to work with United Way to ascertain counseling services available to workers displaced by a plant closure.

4. The union agreed to design and conduct a survey of their members to determine current employment status, their interest in assistance, and their special needs.

Formation of subcommittees. The second meeting of the task force was held two weeks later. Subcommittees were formed around the issues and tasks outlined in the first meeting. During the week that followed the subcommittees met frequently to carry out their tasks, but always reported to the task force. The task force would review the reports and make decisions on the next phase of the effort.

A new committee developed from the information that had been gathered on community services. This Supportive Services Subcommittee developed and produced an information packet for the displaced workers. It contained information on employment services, social and financial counseling, and other services. It was developed with the assistance of the area AFL-CIO Community Services Department, which is funded by United Way. Mack Truck printed the materials, which were then mailed to the workers.

Representatives of local banks and savings and loan institutions helped the Financial Adjustment Assistance Subcommittee develop debt-adjustment procedures for displaced workers. Local banks contacted organizations such as consumer credit counselors and the Legal Aid Society, who could help families with debt, credit, and mortgage problems. A specific bank's involvement subsequently developed into a more direct, active counseling role. It initially provided individual and group counseling on budget management. The bank later offered similar services to any community worker-assistance projects throughout the state.

The Retraining Subcommittee had very little information concerning the retraining and placement needs of the displaced workers. They formed an additional subcommittee to handle those issues. The Retraining Subcommittee included representatives of local and state agencies involved in job training. It included representatives of the CETA prime sponsor, vocational schools, the union, the automotive trades apprenticeship program, Mack Truck, and the local employment service.

The Retraining Subcommittee was given the additional assignment of developing the design for an assessment/placement center, a central location from which all the planned services would be provided. The center approach had been used in a previous closure, so this project expanded on the earlier program. The task force determined that the center must be operational by 1 April 1981, which roughly coincided with the closure of the plant. A basic grant of $80,000 from the Governor's CETA 8 percent Discretionary Fund, along with volunteers and donations, covered the center's expenses. In effect, the task force, in a period of two months, planned the project and made it operational.

The center in operation

The center was located in the downtown library annex. The extensive planning before the center opened was crucial to its smooth organization and operation. Staff were selected, hired, and at work a week before the center officially opened. Much of the office equipment and furniture was provided by the CETA prime sponsor.

The staff, consisting primarily of personnel from the employment service, included a supervisor, a counselor, and three placement specialists. The supervisor had previous experience setting up a local CETA office. In addition, a receptionist and four local volunteers from the UAW worked at the center. One or two UAW volunteers were present at the center every day. They contacted the workers, counseled those visiting the center, and translated for Spanish-speaking workers. They also worked in the field, contacting employers and setting up other services for

workers through the union. The participation of both workers and employers was critical to the success of the center portion of the project. Workers learned of the center in several ways: letters were sent to workers from Mack Truck, but the volunteer contact and outreach were most beneficial.

As indicated earlier, in order to plan for the demand of services, the union had mailed out a questionnaire to its members stating that the union was working with the task force to develop special employment and training services for them. The questionnaire had requested information on the workers' current employment status and their interest in participating in the special plant closure program. The union also encouraged workers who had found employment to notify them about additional openings that might exist. Of the approximately 1100 union members, about one-third responded to the questionnaire, and almost all of these requested services.

When the center staff began work, they called each of the workers who had returned the questionnaire to inform each of the location and hours of the center. A major activity of the center was continued outreach. Once the center was open and the first rush of workers had visited, the union volunteers called members to encourage those who had not come in to do so. Center staff routinely called workers who were on file to update information on their status and to apprise workers of new job developments and center program offerings.

Services provided. Center services included skills and interest assessment, employment and financial counseling, referral to supportive services and training, job search workshops, and job referral. The assessment and employment counseling activities dominated the initial operations of the center. Workers met with placement specialists, who determined the workers' needs. If the worker was ready for a job, job referrals and job development contacts were made. If further counseling was indicated, an appointment was made with the center employment counselor. Efforts were made to handle these appointments during the same visit to the center. Workers were referred to supportive services and training at the same time. When the center first opened, few workers expressed an interest in either; they were more concerned with immediate employment opportunities.

Job referral and development activities. These were conducted in areas where workers lived, using information from the local job service offices. The research division of the employment service conducted a special service that identified businesses with staffing patterns similar to those at Mack Truck. Employment service staff then contacted these employers to ascertain their skill needs. This method enabled job developers to utilize their job search efforts more efficiently. Other job information came from the union and the workers themselves. A particularly successful project was developed by the UAW local for its women members. It held a women's mini job fair to advertise their nontraditional skills to larger firms.

A test-taking instruction class was provided by the various labor organizations. Women in Apprenticeship, a project funded by the federal government to assist women interested in apprenticeship programs, opened their classes to

male union members. The Bay Area Construction Opportunity Program provided similar programs, and union local members tutored their fellow members. About 100 workers went through these combined programs.

The private industry council granted $65,000 to the UAW to develop 26 on-the-job training slots and $11,000 to the AFL-CIO regional office of the Human Resources Development Institute to do direct job placement through other unions.

As additional plants in the vicinity closed, the employers were encouraged to advise workers of the service available at the plant closure center. The center eventually served workers from five other plant closures. Finally, the mayor contacted several large employers directly to request that they give hiring priority to the Mack workers. The local newspaper published several articles on the efforts of the task force. The articles helped alert employers of the opportunity to participate in the training aspects of the program. The bank that had made a bank lending officer available to counsel the workers also worked with the local utility company to establish a procedure for transferring displaced workers to the low lifeline utility rate while they were unemployed. Workers were transferred back to regular rates when they found jobs.

Much later in the project, despite severe funding constraints, state and local agencies cooperated to fund classroom and employer-based training. The state CETA officer granted $60,000 for plant maintenance training at a local skills center. The local skills center tailored its existing course substantially to fit the background of the Mack workers. The course ran 16 to 18 weeks, instead of the normal 30 weeks, and 20 workers were enrolled.

On 21 May, the Hayward Plant Closure Team held a reception at the center to recognize the efforts of the public and private groups that had participated to enlist the continued support of local employers, and to develop a linkage between the closing project and other agencies that could continue to assist those who still needed help.

THE HAYWARD MODEL FROM A HISTORICAL PERSPECTIVE

Seen from a perspective of three years, the Hayward project still offers useful guidelines to apply to similar situations.

First, the results obtained for the displaced workers were impressive. Five hundred sixty-one workers had been served at the center, and, of those, 424 had obtained new jobs and 27 had entered job training. Many of those workers had repeated contacts with the center, which became a positive mechanism for peer support and community involvement. In addition to the Mack workers, other displaced workers used the center for other services that were provided.

Second, retraining was repeatedly highlighted as an important issue, but one of the most difficult to deal with. Due to legislative funding caps placed upon vocational education institutions—as indicated previously—a few retraining programs were finally developed, but with extraordinary effort. The California legislature later dealt with the retraining issue through special legislation, and Title III of the Job Training Partnership Act subsequently made adequate provision for retraining oppor-

tunities. Third, involvement of public leaders is important. A city or county chief executive officer needs to spearhead such an effort. This provides the clout needed to move the project along, and provides visibility, media attention, and the support of local agencies needed to get the job done. This individual also usually has important ties with the employer community.

Community involvement was crucial to the project's success. Business, community organizations, local and state government, the union, and dozens of volunteers joined together to help the community through what had the potential to become a real crisis. Also, the relationships that are formed and the cooperative attitudes that are developed provide an opportunity for the community to work on something positive at a time when many negatives are operating. Community leadership is particularly important in those cases in which the existing company is reluctant to assist its workers. In Hayward's case the involvement of Mack Truck's plant personnel stopped when the plant shut its doors. The local and district offices of the union were involved long after the project ended.

Fourth, no project can be successful without sufficient access to funding resources and in-kind services, and the importance of timely access to these here must be stressed. As much as possible, projects should be started before the layoffs take place. At the time of the Hayward project, CETA was the primary funding source. Currently, Title III of JTPA can allow for allocation of funds to communities through service delivery areas for job search assistance, as well as retraining.

Fifth, the project planning process was effective. Individuals who could act decisively for their organizations were involved, so that decisions made by the task force could be acted upon immediately. The time spent planning before the project begins—or before the center opens—is never wasted. Conducting a survey of employees' needs and plans, surveying the surrounding labor market, assessing workers' skills, and ascertaining local retraining options all provide important information to be utilized in the design of an efficient program targeted to the particular requirements of the work force.

Sixth, advance notification and early intervention are important aspects of a successful program. The Hayward project was at least in the planning stages before the plant closed and did publicize and make its services available to everyone who had worked at the plant, regardless of when they had been laid off—for some, six months before the center opened. Projects begun six months or more after the plant has closed are likely to have a much lower participation rate.

It stands to reason, therefore, that communities need to have in place a response mechanism for economic crises or simply a plan that can be instituted when a plant closure or layoff of significance is expected. This should include not only the worker transition assistance model, but also strategies to investigate preventing the closure and accelerating economic development efforts to maintain employment for the affected workers.

CONCLUSION

The reader will have noted that there are many similarities between the private sector and community models. Certainly the goals are the same. When possible the employers and the union

should play leadership roles in assisting their work force. When this does not happen, the community must move quickly to assume that role. The optimum is a joint effort, of course, since communities, business, labor, and government all have a stake in effecting nondisruptive strategies to move workers to comparable reemployment opportunities.

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Industrial Restructuring: Public Policies for Investment in Advanced Industrial Society

By EDWARD J. BLAKELY and PHILIP SHAPIRA

ABSTRACT: The American economy is undergoing a fundamental process of industrial restructuring. The manufacturing sector is being reorganized and deindustrialized, the location of capital investment is changing, labor markets are becoming increasingly polarized, and new job-displacing technologies are rapidly being introduced. Although this restructuring process maintains profitability for large corporations, it imposes heavy costs on workers and their communities and adversely affects the nation's long-term economic and social stability. As a consequence of restructuring, concern about job retention and creation is higher now than it has been since the 1930s. However, the authors argue, the current policy responses of liberal, industrial policy advocates and conservative less-government proponents are inadequate because they subordinate the needs of workers and their communities in order to restore the conditions of capital accumulation. The authors outline an alternative strategy based on a new national framework for investment, greater community involvement, and increased worker control and certainty over their own livelihoods.

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IN the two decades immediately after World War II, the United States experienced a long wave of economic growth. The role of the war itself, the stimulus of public infrastructure investment, and the global dominance of American political power were key factors in this growth. There were, of course, millions of Americans in disadvantaged groups and lagging geographical areas who did not benefit from the job expansion and economic growth of the 1950s and 1960s. But these were seen as residual problems—the direct or indirect result of such factors as the locational disadvantages of rural or inner-city areas, lack of skills, or discrimination in employment. While government programs and redistributional policies might be necessary to tackle these specific problems, there was a broad assumption that the private sector would continue to expand, thus providing sufficient employment in the aggregate. The prevailing view was that macroeconomic policy could be fine-tuned to ensure that the nation experienced consistent overall increases in output and employment.

In the 1970s these assumptions ran into trouble. First, it became clear that the policies to help the disadvantaged gain from overall economic growth were ineffective. Second, ever-deeper economic downturns and rising unemployment cast doubts on the very capacity of the private economy and traditional macroeconomic policies to ensure continued growth.

By the early 1980s America was in its most severe economic crisis since the 1930s. Problems of structural unemployment and inadequate incomes—once thought to be the residual difficulties of a few groups or areas—are today experienced by massive numbers of workers across all regions of the country and virtually every sector of the economy. Measured unemployment—now 8 percent—is more than double the 1969 rate of 3.5 percent, real earnings in 1982 dollars were down to 93.3 percent of 1977 levels, and poverty—especially among female-headed households—has noticeably increased. The average annual growth rate in real gross national product (GNP) was 2.7 percent between 1974 and 1981, compared with 4.1 percent from 1960 to 1973.[1] Basic industry is being restructured, with dramatic increases in plant shutdowns not just in the so-called rust-belt of the Northeast and Midwest, but in the sunbelt too.[2] And there is increasing concern about whether or not American industries can match the technology and commitment to productive investment of companies based overseas, especially in Europe and Japan.[3]

THE DETERMINANTS OF CHANGE

Without doubt, the incidence of plant closures, job loss, and poverty has been sharply aggravated by the recessionary macroeconomic policies that have been applied to the American economy since 1980. As and when aggregate demand in the economy increases, some of the workers who have lost their jobs in recent years may be recalled. In early 1984 such recalls to employment did begin. However, beneath these short-

1. *Economic Report of the President* (Washington, DC: Government Printing Office, 1982).

2. Barry Bluestone and Bennett Harrison, *The Deindustrialization of America* (New York: Basic Books, 1982).

3. Ira C. Magaziner and Robert B. Reich, *Minding America's Business* (New York: Harcourt Brace Jovanovich, 1982).

term ups and downs in the economic cycle, a more fundamental process of industrial restructuring is occurring. The U.S. economy is suffering from a long-term slowdown in output and productivity growth; the manufacturing sector is being reorganized and deindustrialized; the labor market has become increasingly polarized; and new technology threatens further job loss both in goods production and service-performing activities.

While many factors have influenced these developments, we believe the central driving force is a systematic business strategy to maintain short-term profits and work-place control. This strategy has not only hurt workers and their communities, but has also adversely affected the nation's long-term economic stability and performance. American business has become increasingly concentrated and centralized, which has exacerbated unproductive administrative and supervisory costs, encouraged hierarchical and inflexible production methods, promoted shortsighted management decisions, and decreased workers' job satisfaction and motivation.[4] Government has aided this process through tax laws encouraging "paper entrepreneurship"—the making of profits not from production but from buying and selling subsidiaries, asset stripping, write-offs, and real estate speculation.[5] In many cases, these centralized corporations have set high-profit hurdles for subsidiaries and plants, then either closed those units when the high target rates were not attained or used them as cash cows to engage in wasteful mergers and acquisitions elsewhere. And corporations have used advances in technology and communications to reorganize or relocate jobs to take advantage of lower-wage, less-organized labor, irrespective of the human and social costs incurred.[6]

The result of these corporate strategies has been extremely rapid capital mobility and the virtual deindustrialization of a number of key manufacturing sectors and regions within the United States. Production now occurs on a global scale, with overseas units tied into production and consumption in America through transnational corporations.[7] Meanwhile, within the United States there have been substantial interregional shifts in the location of production—between the frostbelt and sunbelt and between metropolitan and rural areas.[8] These capital shifts have particularly affected the nation's core industrial areas.

Parallel with rapid capital mobility has come increased polarization, segmentation, and inequity in labor markets throughout the country. A large proportion of new employment created in recent years has been in low-wage, low-skill jobs, especially in service industries and in certain sectors of manufacturing—including electronics. Against this, industries that have been heavily

4. See Samuel Bowles, David M. Gordon, and Thomas E. Weisskopf, *Beyond the Wasteland* (Garden City, NY: Doubleday, 1983).

5. Robert B. Reich, *The Next American Frontier* (New York: New York Times Books, 1983).

6. Bluestone and Harrison, *Deindustrialization of America.*

7. See Frank Moulaert and Patricia Wilson Salinas, eds., *Regional Analysis and the New Division of Labor* (Boston, MA: Kluwer-Nijhoff Publishing, 1983).

8. David C. Perry and Alfred J. Watkins, *The Rise of the Sunbelt Cities* (Beverly Hills, CA: Sage Publications, 1977).

hit by plant shutdowns and restructuring have often provided reasonably well-paying, stable, and accessible jobs—as in steel, automobiles, and shipbuilding. The emerging labor market is thus increasingly polarized and segmented, with increases in low-paid, low-skill work, increases in highly credentialed professional and technical jobs, and a dearth of middle-range blue-collar occupations.[9] Further losses of traditional manufacturing jobs can be expected through automation—one estimate suggests that robots will replace up to 50,000 auto workers in the next six years. New office technologies are also likely to affect adversely many clerical and financial jobs.[10]

THE INADEQUACY OF CURRENT POLICY APPROACHES

As a result of industrial restructuring, large numbers of workers will never return to their former jobs. Millions of other workers will find that the jobs they are able to obtain have been quite radically changed, with adverse implications for working conditions, wages, job satisfaction, and career mobility. Many people will be unable to find any stable work at all, especially in the nation's older industrial areas. Those experiencing economic dislocation or restructuring will invariably face heavy personal costs, including income loss, family stress, adverse physical and mental health, and diminished career and life opportunities. Substantial costs will also be imposed on government, through lost taxes; increased unemployment; welfare, medical, and jobs program expenditures; and higher rates of social pathology.[11]

Of course, the picture is not entirely dismal. Even the regions that currently are most depressed will see some new jobs, while additional financial, service, and technology-based jobs will increase throughout much of the nation. Nonetheless, the present and foreseeable restructuring of employment is deep enough and the likely economic, social, and political costs high enough to push job stabilization and creation to the top of the American political agenda. Not since the Great Depression has there been so much concern about the lack of good jobs, and a growing policy debate has developed over the causes of the problem and the role government can or should play.

Unfortunately, while there is intense interest in the restructuring problem, we believe that much of the current policy debate is misconstrued. The debate tends to be polarized between "industrial policy" advocates who want increased government intervention to deal with industrial transition and "less-government" proponents who believe the problem—to the extent there is one—is manageable with a decreased public role. However, both sets of approaches share a common bias: they both are primarily concerned with restoring the conditions for capital accumulation; the needs of labor and community are subordinated. In our view, this is inadequate. Policy responses to restructuring should start first with the

9. Bob Kuttner, "The Declining Middle," *Atlantic Monthly*, 252(1):60-72 (July 1983).

10. Donald Kennedy, Charles Craypo, and Mary Lehman, eds., *Labor and Technology* (University Park: Pennsylvania State University, Department of Labor Studies, 1982).

11. Jeanne Prial Gordus, Paul Jarley, and Louis A. Ferman, *Plant Closings and Economic Dislocation* (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 1981).

needs of the nation's workers and communities—the human and social resources that have to be at the center of any truly effective and equitable economic development strategy.

The industrial policy approach

Over the last few years, the idea that the United States needs an industrial policy has gained significant support, particularly among liberals, many academics, and parts of the business community. These groups accept that the United States has considerable industrial and employment problems, but they believe that traditional Keynesian demand-management policies are now insufficient. Instead, they advocate interventionist national industrial and investment policies to deal with industrial transition and encourage high-growth, sunrise companies in advanced technology fields like electronics or biotechnology. Interestingly, there is support within the business community itself for government action to speed industrial restructuring. *Business Week*, for example, has proposed a new era of tripartite, business-labor-government cooperation to develop industrial policies that will preserve resources for production—in part, by moderating wage demands—and encourage investment in new industries through training and tax incentives.[12]

Although the proponents of this form of industrial policy endorse public action of one kind or another to promote growing sectors, they are split on the position government should take toward older, so-called sunset industries like basic steel and automobile production. One view is that public policy errs in trying to maintain old-line sectors. Reich argues that

> preservation strategies often seem preferable to massive unemployment and the destruction of communities. The irony is that these very strategies retard future economic growth by encumbering the movement of resources towards more productive uses.[13]

Indeed, Reich proposes to accelerate the decline of uncompetitive industries and transfer capital and human resources to growing, high-technology sectors. Public employment and training programs would then help workers and communities adjust to the new technology employment.

A contrasting industrial policy view, however, advocates specific intervention in mature sectors. For instance, investment banker Felix Rohatyn proposes a new federal Reconstruction Finance Corporation—modeled on the old RFC of the 1930s—to help older industries and regions.[14] Learning the lessons of previous bail-outs such as Chrysler and Lockheed—seen as successful, but too ad hoc and political—the new RFC would be a permanent and systematic mechanism for dealing with industrial restructuring. The new RFC would invest in troubled firms and sectors, but it would return firms to the regular private capital markets after those companies had been restructured. Rohatyn makes clear that RFC investments would almost always involve concessions by

12. "The Reindustrialization of America," *Business Week*, special issue, pp. 56-142 (30 June 1980).

13. Robert B. Reich, "Take the Money and Run," *New Republic*, 15 Nov. 1982, pp. 28-30.

14. Felix Rohatyn, "The Coming Emergency and What Can Be Done About It," *New York Review of Books*, pp. 20-26 (Dec. 1980); see also Alfred Watkins, "Felix Rohatyn's Biggest Deal," *Working Papers*, pp. 44-52 (Sept.-Oct. 1981).

labor, including wage cuts, employment reorganization, and work-rule revisions.

The Democratic Congressional Subcommittee on Economic Stabilization has adopted much of Rohatyn's approach in its proposal for a new Bank for Industrial Competitiveness (BIC) to aid older industries—as well as high technology. The subcommittee expects the BIC "to bring to the process of revitalization finance the kind of tough-minded negotiation and conditionality which the International Monetary Fund is intended to apply in international lending."[15] Meanwhile the AFL-CIO Industrial Union Department has called for a national reindustrialization board which, while not explicitly demanding labor concessions, still would embody the idea that corporate planning by top business, government, and labor leaders is the best way to deal with economic restructuring.

Unfortunately, both the sunrise and the sunset industrial policy approaches have troubling problems. On the one hand, the jobs generated in growing high-technology and service sectors are not comparable with the jobs being lost in traditional industry. These growing sectors offer a far greater proportion of low-wage jobs with restricted opportunities for upward mobility, and—without major policy changes—are unlikely to develop in the places where most of the jobless are. It is also doubtful whether, in absolute terms, there will be enough high-tech jobs to replace the huge number of basic industrial jobs that are disappearing, even if blue-collar workers had access to these new jobs.[16] Moreover, as demonstrated by the loss of nearly 3000 jobs when Atari moved its production facilities from California to Hong Kong in 1983, high-technology jobs are not immune from corporate displacement.[17]

On the other hand, industrial policy proposals to restructure basic industry through a new RFC or BIC have several defects, too. Public capital will be used to restore private profits, mainly in large firms. But it is not clear, particularly if investment is made in labor-saving, capital-intensive technology, that many new jobs would be created. Indeed, the Chrysler experience—often quoted as a success—demonstrates very well that jobs and communities are not necessarily the primary concern of industrial policy advocates. After federal intervention to save the company, the work force was drastically reduced, with minority workers bearing a disproportionate share of the job loss. Fifteen plants were closed, 12 of which were in Detroit—despite loans and grants from the city and the state of Michigan; wages and benefits were substantially cut, job-displacing new technologies were rapidly introduced, and the value of Chrysler

15. U.S., House of Representatives, Committee on Banking, Finance, and Urban Affairs, Subcommittee on Economic Stabilization, *Forging An Industrial Competitiveness Strategy* (Washington, DC: Government Printing Office, 1983).

16. See Richard W. Riche, Daniel E. Hecker, and John U. Burgan, "High Technology Today and Tomorrow: A Small Slice of the Employment Pie," *Monthly Labor Review*, pp. 50-58 (Nov. 1983); "America Rushes to High Tech for Growth," *Business Week*, 28 Mar. 1983, pp. 84-89.

17. Tim Shorrock, "Atari Moves to Asia," *Multinational Monitor*, p. 11 (Apr. 1983), describes how jobs in California's electronics industry are being relocated overseas.

stock went from a few dollars to over thirty dollars.[18]

Finally, the current proposals for federal industrial restructuring are basically corporatist and undemocratic. Decisions made by an elite group of bankers, industrialists, government officials, and labor leaders are designed to force workers to accept concessions by skirting the political process. This represents a restructuring of capital to aid capital rather than help workers and communities. The intention of this is simply to restore profitability; the nature of production is not changed, private profits will still guide what is to be made, and the pressing needs for better public goods and services within most American communities will not be satisfied.

The no-problem/less-government perspective

A second response to America's changing economy has been the argument that because industrial restructuring is not a major problem in the United States, specific industrial intervention is unnecessary. Indeed, advocates of this view often state that the most helpful policy would be generally to decrease government's role in the economy. These arguments are popular with conservative politicians and business leaders. But support has also come from the unexpected quarter of the generally liberal Brookings Institution, where Robert Lawrence argues that deindustrialization is a myth. In his view, the overall increase in manufacturing employment during the 1970s shows that there has been no deindustrialization in absolute terms and that the aggregate levels of investment and productivity in America are satisfactory. Lawrence believes the real problem is simply a lack of demand and an overvalued dollar, which different macroeconomic policies could correct.[19]

The Republican administration's analysis of the nation's industrial and employment problems adds the argument that misdirected government intervention has resulted in overregulation, higher taxes on both businesses and individuals, and reduced incentives to invest and produce.[20] In this traditional conservative perspective, public interference with industrial change—for example, to stop plant closures—is naturally seen as shortsighted, costly, and doomed to failure. It is believed that efforts to stem capital mobility will impair private property rights, endanger new job creation, and ultimately cause greater job loss.[21] An industrial policy thus is not only unnecessary, but will probably worsen the situation through costly subsidies and protection for declining industries, while government is unlikely to be successful in picking high-technology winners.

However, there are major deficiencies in these no-problem/less-government arguments. First, there really is a significant restructuring problem. While aggregate manufacturing employment rose by only about 130,000 jobs between 1973 and 1980, this incorporates grow-

18. Jane Slaughter and Bill Parker, "Black Workers, Detroit Lose Out in Chrysler Restructuring," *Labor Notes*, no. 49, pp. 8-9 (24 Feb. 1983).

19. Robert Z. Lawrence, "The Myth of U.S. Deindustrialization," *Challenge*, 26(5):12-21 (Nov.-Dec. 1983).

20. See *Economic Report of the President*.

21. Richard B. McKenzie, "The Case for Plant Closures," *Policy Review*, 15:119-33 (1981).

ing numbers of administrative and supervisory employees. The number of production workers actually fell during this period by some 620,000—a 4.2 percent drop.[22] In many individual sectors, like steel, automobiles, and electrical equipment, the percentage drop in production workers was far greater. The decline of these important basic sectors is not compensated for by the growth of high-technology or service jobs. Besides the wage disparities between growing and declining sectors, there are substantial geographical inequities in employment change. Furthermore, since 1980 both restructuring and the introduction of job-displacing new technology have intensified, which suggests that the employment scenario for the rest of this decade will present even more difficulties than in the 1970s.

Second, there is little evidence that American business suffers from too much government. The Western European economies and Japan have been comparatively successful, although they have more explicit public intervention and administrative guidance than the United States. Indeed, the complex arrangement of federal subsidies, tax supports, and research assistance to both military and civilian industries in the United States is a de facto—although not very good—form of public industrial intervention. Thus the problem in the United States is not that there is too much government, but that government is not doing the right things.

Third, despite the Reagan administration's argument that corporate investment has been hurt by overtaxation, the burden of taxation carried by business—measured as a proportion of all federal and state tax receipts—has, in fact, been decreasing over the last two decades. During the same time period, the level of fixed investment in business has been stable: it was 11 percent of GNP in the 1970s, compared with around 10 percent during the fast-growth years of the early 1960s. Thus, while the level of business investment in the United States has been below its main international competitors, this cannot be attributed to high corporate taxation.

Finally, we need to note that although the aggregate level of investment has not been greatly affected by diminishing business taxation, there have been important changes in the composition of investment. In recent years, while investment in communications and high-technology equipment has grown rapidly, spending on new factories and heavy machinery has declined. At the same time, investment in commercial structures—office buildings, retail stores, fast-food restaurants—has grown. Hence, there is a real problem in where investment is being placed in the economy—a point Lawrence overlooks as he expresses satisfaction with overall rates of investment spending.

In short, further tax concessions are unlikely to have major impacts on employment generation. Few business investment decisions of long-term consequence result from short-term tax advantages or similar incentives. Instead, new tax breaks tend to foster new rounds of unproductive paper speculation in tax shelters, lease-back arrangements, spin-offs, and acquisitions.

At the same time, it is also apparent that while increasing aggregate demand and devaluing the dollar are both impor-

22. U.S., Department of Labor, Bureau of Labor Statistics, *Employment and Earnings* (Washington, DC: Department of Labor, 1939-78 and annual supps.).

tant, such macroeconomic policies are no longer sufficient to ensure full employment. The reality of the advanced industrial economy is that job displacement will not abate. Investments in new technology will continue to dislocate workers, and large corporations will continue to relocate and reorganize jobs. Moreover, international competition will continue to present problems for the United States since cheap labor and/or deep export subsidies in other countries will continue to outweigh changes in the value of the dollar.

AN ALTERNATIVE POLICY APPROACH

If current approaches to reindustrialization and reinvestment are flawed, what are the alternatives? We believe there is a need for a different approach—one that explicitly emphasizes the needs and interests of the nation's workers and communities. There is now an ever widening gap between the global power and mobility of corporate capital and the need for stability and community in the United States. We need to narrow this gap, not by uprooting or subordinating workers and communities, but by implementing an alternative economic strategy that will create a new context for reinvestment in the United States, curb wasteful and nonproductive corporate strategies, provide good jobs and raise standards of living more equally shared, produce goods for social needs as well as profits, increase worker and community involvement in decisions affecting them, and take a longer-term view about the kind of society we wish to foster.

Developing and implementing the policies necessary to achieve these ends presents a tremendous challenge, as much political as economic. Considerations of space make it impossible to discuss adequately all the complexities involved here. But, to stimulate debate, the balance of this article outlines a number of specific measures that should form the basis of an alternative policy approach to industrial restructuring. Three overall themes guide our proposals:

1. National policies are needed to increase social control over economic change and investment. Macroeconomic policy, whether monetarist or Keynesian, is no longer sufficient in and of itself. An alternative economic framework is necessary to directly promote investment, increase industrial democracy and corporate accountability, and provide for full employment. This framework needs to be built on social equity and human development, not just private profitability.

2. Communities need a greater role in their local economies to promote stability and quality of life. The positive values of community in American life should not be sacrificed to rapid mobility of capital, nor to corporate—and government—decision making that ignores the community costs of investment and disinvestment.

3. Workers should have increased control and certainty over their livelihoods. Individuals and their families should not have to bear the tremendous costs they are now facing in terms of lost income, personal stress, family disruption, lack of health protection, loss of pension rights, and lack of stability in employment or comprehensive planning for alternative employment.

A new national framework for reinvestment

The long-term future of industry and industrial communities in the United States needs to be based on a new framework for national industrial investment. An essential preliminary step is to change the federal tax code to eliminate the loopholes that provide incentives to close plants, move production overseas, and participate in wasteful conglomerate acquisitions. Similarly, new powers to review the industrial implications of mergers and takeovers should be introduced. U.S. Steel's decision to buy Marathon Oil, rather than reinvest in steel, is one example of the need for such measures.

However, while increased powers to regulate the direction the economy takes are certainly necessary, the central element of our alternative framework involves not top-down planning, but a new thrust to give workers and communities the capacity to know about, participate in, and bargain over investment and disinvestment decisions that will affect them. There is already a strong right-to-know tradition in the United States, through legislation on environmental hazards, the Community Reinvestment Act in banking, and freedom of information in government. We believe that this tradition should be extended fundamentally into the work place.

To establish work-place rights to know, major corporations should be required to provide ongoing information to their work forces on their corporate strategies, product and regional investment plans, overseas subsidiaries, and future employment plans. Corporations would be required to provide this information not only to increase accountability to those they employ, but also to allow real consultation and bargaining over investment strategy. As a matter of national policy, major firms would be required to develop mutually agreed procedures to consult with and involve their work force during planning and decision making. These procedures would vary according to circumstances—particularly if the firm is unionized—but could include joint labor-management boards, plant-level councils, or worker-directors.

As part of this program of increased information provision, advance notice and an economic displacement statement should be required of all firms considering major shutdowns. The displacement statement, which broadly follows the precedent of already existing environmental impact reports, would describe the rationale for closure, alternatives considered, the earnings and investment record at that facility, and the socioeconomic impact of closure. Implementation of this approach would provide American workers and communities with protections that exist in European economies. Workers and communities could use the notice period and displacement statement to investigate a closure, negotiate to keep it open, or explore the viability of community or worker ownership. To encourage compliance, firms failing to provide notice or the displacement report would lose any tax benefits associated with the shutdown and would be required to repay all public subsidies and tax allowances enjoyed while the plant was open.

Our belief in the need for workers, through their organizations, to be involved directly in decisions affecting them also guides our approach to new

public reinvestment instruments. Although we have criticized the proposals of current industrial policy advocates, we do accept the need for mechanisms to promote, consistently and on a long-term basis, reinvestment in industrial plants and enterprises. But we differ on two key points: first, there has to be worker involvement; and second, narrowly defined private profitability is an insufficient criterion for national investment decision making.

In our framework, a national industrial reinvestment board or corporation would be established to invest in large firms and basic sectors, accompanied by state-level industrial development boards to make investments in medium-sized regional enterprises. Where either national or state investments are to be made, development agreements would be entered into, with the participating firms specifying investment and employment plans. These agreements would be negotiated among the corporation, the work force, and the reinvestment agency. Additionally, national and state reinvestment agencies would be empowered to develop permanent equity positions in the firms and sectors they involve themselves in, rather than returning them to the stock market. In this way, social control over key elements of the economy—such as steel or rail transportation—would be strengthened. Reinvestment agencies would be empowered to make public balance-sheet calculations of overall costs—including lost tax revenues, unemployment costs, and community disruption—when making investments.

In growing sectors, particularly high technology, our approach also differs somewhat from many current industrial policy proposals. While growth of high technology may mean massive individual returns for a few entrepreneurs and venture capitalists, too often the result is a poor job, a lost job, or a new weapon system. But other outcomes are possible. We believe that the truly innovative role for public policy with regard to high technology is to generate new, more socially useful directions for the industry. Initiatives along these lines are already occurring in Europe, inspired by the pioneering alternative corporate plan developed by Britain's Lucas Aerospace workers. In the United States, we would propose that federal and state reinvestment programs, combined with research and educational resources, be applied to develop new, advanced technological products that will directly improve working and living conditions and create employment. Human-centered machine tools, new transportation, health, and energy technologies, and broad-based community communications systems are among the many possibilities.

Finally, policies need to be developed for the orderly growth of international trade and finance. From an international perspective, the current economic policies of the United States—particularly high interest rates and an enforced recessionary regime—have adversely affected many other countries and intensified international trade friction. In addition, U.S. corporations have relocated operations to exploit cheap labor in Third World countries, while their lack of basic investment and innovation in home production has placed many American-manufactured goods at an international disadvantage. Narrow protectionist policies within the United States are quite inadequate to deal with these issues, and they unfairly

put the blame on foreign countries and workers. At the same time, adherence to outmoded conceptions of free trade in an era of multinational domination is equally unsatisfactory.

There is, instead, a need for policies that can promote balanced trade—increased exports and imports—on a bilateral basis and provide genuine economic development assistance, rather than support continued Third World exploitation. One possible measure is to require U.S. companies to create one domestic job for every job they create through overseas investment. Another step would be to end U.S. support for authoritarian regimes that ban trade union organization.[23]

An increased role for communities in investment and employment

A proposal we have already discussed—the requirement for firms to provide advance notice of plant shutdowns and prepare an economic displacement statement—would significantly assist local communities in averting or responding to disinvestment decisions. In addition, use of federally subsidized tax incentives and revenue bonds to finance the movement of jobs between different communities should be ended. Instead, communities should be encouraged to pursue local development agreements to improve conditions of employment equality, wages and benefits, and stability where firms receive public financial assistance. A step in this direction has already been taken by the city of Vacaville, California, which now requires firms receiving redevelopment funding to file local affirmative action plans, give up to one year's notice of closure, and agree to bargain with workers and the city over disinvestment decisions.

A further means of increasing community involvement in employment is through a job-generating program of investment in public goods production and services, including transportation, energy, housing, health, and development. While policies of direct intervention to reindustrialize basic industry and promote new growth sectors will retain and create jobs, the continued development of new technology is likely to diminish the aggregate job-generating capacity of manufacturing industry in the United States. At the same time there are continuing needs in America's communities for improvements in the quality of basic public goods and services. But we are not advocating a temporary job creation or countercyclical public works programs. Rather, we envisage a permanent and sustained investment in public goods and services, targeted to those areas hardest hit by industrial restructuring. To some extent, this massive investment in public goods and services would be self-sustaining, in view of the alternative—continued lost tax revenues and unemployment costs. Additional funding, however, could be obtained from a shifting of resources wasted through military expenditure into more useful and peaceful products.

Policies for individual protection and development

Because economic development needs to start from and be built around people, investment policies for human resource development are particularly important. First, we need to give immediate protection and relief to workers

23. See Lance Compa, "Fair Trade, Free Trade, Full Trade," *The Nation*, 5 Nov. 1983, pp. 429-31.

affected by restructuring. Advance notice and severance pay must be introduced as basic human rights. In addition, new national policies need to be implemented to protect health benefits and pensions and to provide improved unemployment and social service benefits. Individuals and their families should not be crippled through job loss.

Second, workers should have vastly increased access to educational resources through a more comprehensive employment and training system. We propose the establishment of a human resources trust fund, financed by employer contributions and general tax revenues. This trust fund would be permanent, replacing the temporary and ineffective Job Training Partnership Act. Through the trust fund, workers on the job could build up credits via years of service that would allow paid time off or leave to utilize increased opportunities for maintaining and improving their education and skills. This measure would also have the beneficial effect of reducing aggregate work hours—essential in the age of new technology. Workers who become permanently displaced would be eligible for stipends to support themselves and their families while undergoing retraining. It is important to note that retraining would occur in conjunction with alternative investment strategies—not in place of them as in conservative/liberal proposals—so that there would be jobs within the community for which workers could be retrained.

THE CHALLENGE OF ECONOMIC ALTERNATIVES

We have not attempted to examine all the details and implications of our specific policy proposals, nor have we tried to be exhaustive. Many further elements are needed to form a comprehensive alternative economic strategy. But we have tried to show that there is a strong need for increased attention to the issue of industrial restructuring, that current policy proposals from both liberals and conservatives are inadequate, and that innovative and bold alternative policies are now necessary to meet the needs of America's people and its communities. Corporate reindustrialization is not the answer, nor is high technology, while a policy of decreased attention would compound the waste and inequity induced by current economic and industrial restructuring. Instead, human resources and social needs have to be the building blocks for future industrial policies. Workers and communities are resources too valuable and important to be discarded.

There is little that should alarm in the approach we have advanced in this article. America has a long and rich history of deep and far-reaching public interventions that have fundamentally changed the nation's economic and social course. The Louisiana Purchase is one example; the development of the West, the promotion of the railroads, and the foundation of the land-grant universities are others. Public investment in infrastructure, community services, or new research programs is well established, and precedents exist for public development banking and extensive rights to information and participation. We even have an implicit—although not beneficial—set of national industrial planning policies through the current system of corporate tax breaks, import quotas, and support for military production.

Thus, few of the mechanisms we propose are new. What is different, how-

ever, is the type of problem to be addressed and the new role for government, workers, and communities. Two roads are open to us at this juncture of history. One road leads to a society increasingly subjected to rapid capital mobility, wasted human resources, widening social inequalities, destructive technologies, unmet community needs, and heightened social tension. This is an avenue already paved and open.

The second road leads in an alternative direction: a reemphasis on the value of labor and community, full employment and more equitable working and living conditions, controls over corporate investment decisions, production for social needs as well as profits, the beneficial application of new ideas and techniques, and more democratic work environments. We strongly believe in the second direction, although much work needs to be done to build the path. The fundamental reorientation of policies needed to achieve this alternative strategy is unlikely to occur easily or quickly. But it is the direction the nation, its workers, and its communities need resolutely to pursue.

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The Policy Response to Factory Closings: A Comparison of the United States, Sweden, and France

By GREGORY HOOKS

ABSTRACT: As the severity of the recent recession mounted so did the debate over what to do about it. Three basic options for policy are being promoted: conservative free-market, liberal industrial, and social welfare. Though the first of these has dominated in the United States, France has relied on an industrial policy, while Sweden has adopted a social welfare emphasis. In comparing the experiences of these three countries it becomes clear that an approach more interventionist than relying on the market is both possible and advisable. But neither the social welfare policy nor the industrial policy can fully address the problem of factory closings. In fact, Sweden is turning to industrial policies to complement their social welfare programs, while France is beginning to address the social welfare issues that accompany economic development. For the United States, the lesson is that the proponents of industrial and social welfare policies not only have more in common than the recent debate would suggest, but that these two groups of reformers must ally with one another if either policy is to be politically viable.

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THE economic stagnation of the past decade led to a wave of factory closings throughout the United States, with thousands of workers permanently losing their jobs.[1] These events have sparked a debate in this country over the responsibility of the government in two distinct policy areas: (1) promoting economic growth; and (2) protecting the economic security of workers, their families, and communities. Though the definitions of the problem and the proposed solutions to it are numerous, these can be condensed into three options:

1. Free market. Conservative advocates of the free market argue that job security can be ensured—if at all—only by permitting the admittedly harsh discipline of the market to perform its function. The government's attempt to contravene the market through social programs only delays economic recovery, hence prolonging the suffering—whatever the intentions of policymakers. For conservatives, including much of the Republican party and the present administration, the solution is to get the government out of the way to permit a purging of the economy and a restoration of the conditions for growth.

2. Industrial policy. Industrial policy advocates believe that the government not only can play an active role in restoring economic well-being, but assert that its failure to intervene—especially in capital markets—is part of the problem. Because the U.S. government has failed to shape the flow of investments, capital has gone to inefficient and even socially harmful activities and has resulted in high unemployment. From this liberal point of view—one publicly identified with Felix Rohatyn and prominent members of the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) and the Democratic party—the solution requires the creation of an agency modeled after the Reconstruction Finance Corporation as a means of bringing a longer-term view to capital markets.

3. Social welfare. This alternative, a self-consciously leftist one, agrees that the government should be doing more, not less, but argues that the interventions must concentrate on social welfare, not investment flows. That is, the proper role for government is not to provide still more subsidies to those already well-off; rather it is to buffer the workers and communities hardest hit by economic dislocation.

Though spirited and informative, these debates have not taken full advantage of solutions offered in other industrialized nations. Among industrialized nations, the United States has been the least reliant upon government interventions throughout the postwar period. Predictably, the second and third alternatives have been evaluated through lenses inherited from Adam Smith and judged to be major and untried changes in this nation's approach to economic policy. But, in point of fact, they are not merely the dreams of reformers; they have actually been implemented in other industrialized nations.

In France, economic planning based upon the state's influence over capital flows has been pursued, while in Sweden

1. See in this issue of *The Annals* of the American Academy of Political and Social Science, Barry Bluestone, "Is Deindustrialization a Myth? Capital Mobility versus Absorptive Capacity in the U.S. Economy"; Candee S. Harris, "The Magnitude of Job Loss from Plant Closings and the Generation of Replacement Jobs: Some Recent Evidence"; and Glenn Yago et al., "Investment and Disinvestment in New York, 1960-80."

social welfare policies have served as the cornerstone of economic growth. Although it is clearly impossible to apply the lessons of France and Sweden directly to the U.S. case, valuable insights can be gained by considering and comparing the experiences of nations facing similar challenges. This article provides such a comparison. The bulk of the article explores the response to factory closings in the United States, France, and Sweden. In each case the discussion addresses institutional developments of the government, especially the ability of the government to implement industrial and welfare policies, and the activities of the two social groups most affected by these developments—business and labor. In turn, the conclusion identifies the lessons to be drawn from this comparison for current debates in the United States.

THE UNITED STATES: THE NONRESPONSE OF A DOMESTICALLY WEAK STATE

Listening to the debates over factory closings and economic policy more generally, one gets the impression that the government is able to intervene in any manner it chooses—as long as it makes a firm commitment to do so. But the reality is that the government's choices are limited by its own institutional capacity—or lack thereof—and the resistance or assistance of groups in society. And this point is particularly salient for the United States, where the government is exceptional among the Western industrialized nations for its weakness and the incoherence of its domestic economic and industrial policies.[2] The federalist U.S. Constitution explicitly vests the 50 states with their own taxing capacity, the ability to maintain a staff independent of the central government, and gives one of the houses of Congress—the Senate—to answer to their interests.[3] Not only does this contribute to confusion in the policymaking process, but implementation of federal programs becomes a bargaining process among numerous autonomous decision makers.[4] The Constitution further divides power by mandating a system of checks and balances that pits one federal agency against another—thereby offering still other impediments to the emergence of far-reaching and coherent domestic economic policies.

It is not the case that economic planning has been unthinkable in the U.S. context. Throughout this century, reformers have engaged in state building in an effort to build a

> new democracy organized around executive leadership, . . . a new political economy based upon central planning in cooperation with industry, . . . and grounded in scientific principles of public administration.[5]

These principles have been shared to a greater or lesser extent by the reformers of the Progressive, New Deal, and post-World War II eras. But that state building has been only partial and contradictory in character. As a consequence, the attempts at planning—from Roosevelt

2. Stephen Krasner, "United States Commercial and Monetary Policy: Unravelling the Paradox of External Strength and Internal Weakness," in *Between Power and Plenty*, ed. P. Katzenstein (Madison: University of Wisconsin Press, 1978).

3. Paul Peterson, *City Limits* (Chicago: University of Chicago Press, 1981).

4. Jeffrey Pressman and Aaron Wildavsky, *Implementation* (Berkeley: University of California Press, 1973).

5. Stephen Skowronek, *Building a New American State: The Expansion of Administrative Capacities, 1877-1920* (Cambridge: Cambridge University Press, 1982), p. 286.

to Carter—have been incoherent in conception and nearly always thwarted in execution.[6]

In fact, even more modest forms of economic management in this country are hampered by the bluntness of the federal government's fiscal and monetary tools. Outside of the defense sector, the government usually makes fiscal interventions at the aggregate level—that is, interventions at the sectoral or individual firm level are precluded. Only since 1960 has the president gained any flexibility in making timely fiscal policies, and that remains sharply restricted to this day.[7] At the same time, monetary policies are largely controlled by the quasi- (some say completely) autonomous Federal Reserve Board, and individual banks have the capacity to create money on their own.[8] With blunted and only partial control over fiscal and monetary policies, the U.S. government is unable to shape capital markets and investment flows, nor has it ever gained significant control over labor markets; beyond jawboning, its major role is to ensure that business and labor bargain in good faith. Taken together, the lack of powerful policy tools has severely constrained the possible policy responses to factory closings.

While the bluntness of U.S. economic policies can in large part be traced to tendencies intrinsic to the federal system, the power of the business community has also been important. During the first decades of this century, U.S. business was cartelized into major corporations dominating multiple markets, employing thousands of people, and engaging in economic activities around the country and the world. While big business was emerging, however, the federal government remained small and its influence constrained. There were no federal laws regulating security exchange;[9] income taxation was still unconstitutional; and the federal bureaucracy was small, transient, and weak. In other words, big government in the United States, unlike Western Europe, grew up in the shadow of big business.[10]

The timing of the growth of the federal government—especially the resistance of an already powerful and entrenched business community—meant not only that the government's economic policy tools were blunt, but that the levers of control of economic activity would be vested in the institutions of the business community—corporations.[11] The securities market, though heavily regulated, provides U.S. corporations the opportunity to acquire external financing in an impersonal finance market, thereby reducing the influence of a central bank as in France and Japan or private universal banks as in West Germany.[12] In addition, negotiations with labor, whether organized or not, take place within individual firms or plants.[13] No national tripartite corpora-

6. Otis L. Graham, *Toward a Planned Society* (New York: Oxford University Press, 1976).

7. John Zysman, *Governments, Markets, and Growth: Financial Systems and the Politics of Industrial Change* (Ithaca, NY: Cornell University Press, 1983).

8. Ibid.

9. Fritz Redlich, *The Molding of American Banking*, vols. 1, 2 (1947; New York: Johnson Reprint, 1968).

10. David Vogel, "Why American Businessmen Mistrust Their State," *British Journal of Political Science*, 8:45-78 (1978).

11. Joel Rogers, "Power Incorporated," *Democracy* (Jan. 1982).

12. Dimitri Vittas, ed., *Banking Systems Abroad* (London: Interbank Research Organization, 1978).

13. Jack Barbash, *Trade Unions and the National Economic Policy* (Baltimore, MD: John Hopkins Press, 1972).

tist institutions have been created, nor are any proposed. And the subjects labor may address in these negotiations are specific to wages and fringe benefits, with working conditions carrying less importance. Only in the rarest of circumstances are broader questions of the organization of production or investment decisions addressed.

Relatedly, workers in the United States are in a relatively weak position, economically and politically, and that position is deteriorating. Less than 25 percent of the labor force is unionized, and the proportion falling. In part this decline is a direct result of the past decade's wave of factory closings. Further, the plant-by-plant bargaining procedures and the concentration of the organized work force in the closed-shop states of the North and Great Lakes region has reinforced both the unions' weakness and their concentration on bread-and-butter issues.[14]

The difficulties confronted by the U.S. labor movement in the economic sphere are exacerbated by political constraints. Labor has been obliged to throw its support to the multiregional, multi-interest group Democratic party due to the lack of a viable labor or social democratic party in the United States. This has meant that the favored party is not directly responsive to the interests of labor in the policy formation process, while the ineffectiveness of the government's policy tools means that policy execution is hampered during implementation. As a result of these multiple economic and political limitations of organized labor in the United States, the social group most interested in controlling the tempo and severity of factory closings has had little success in doing so.

This, then, is the context in which U.S. policymakers developed a nonresponse to factory closings. As noted, our economy has never been planned during peacetime. The postwar consensus has been built around growth and productivity in private sector corporations, with a minimum of direct government intervention.[15] When policymakers in the 1970s considered the development of a coherent industrial policy as a means of controlling factory closings, they confronted the prospect of a vast overhaul of the core institutions of the federal government that affect economic activity—namely the Treasury, Federal Reserve Board, and Department of Commerce—as a first step. Further, the inevitable resistance of the powerful business community would have to be overcome if such policies were to work. On both counts, such a sudden shift in the direction of policy would represent a major rupture—a rupture that was never risked. Though often articulated and promoted by prominent union officials and Democratic politicians, this policy response has never emerged as a serious policy alternative, nor is it being considered by either the current administration or Congress.

If factory-closing legislation were to emerge in the United States, it would have to come in the form of social welfare provisions and regulations. However, the underdevelopment of the U.S. welfare state has worked against such an

14. For a more detailed discussion of the consequences of U.S. labor law, see Thomas Hirschl and Leonard Bloomquist, "Taft-Hartley and Nonmetropolitan Industrialization" (Paper delivered at the Annual Meeting of the Midwest Sociological Society, Apr. 1984, Chicago, IL).

15. Charles Maier, "The Politics of Productivity: Foundations of American International Economic Policy after World War II," in *Between Power and Plenty*, ed. Katzenstein.

outcome. Social welfare reformers have lacked the support of either a powerful aristocracy or a socialist movement. As a consequence they have met with only partial successes and many failures.[16] This leaves private sector institutions such as corporations with the central role to play in the allocation of labor and in providing the means of subsistence; the state intervenes only to ensure that individuals get a fair shake and to provide custodial care for the victims of the market. Though expensive, U.S. welfare policies do little or nothing to prevent victimization in the first place and have had little success in rehabilitating those in need. Further, these sizable expenditures are nonproductive in the sense that they do not systematically improve the quality and availability of the labor force and represent a net drain on the funds available for investment.[17]

Extant U.S. responses

The incoherence of U.S. industrial and social welfare policies imposed powerful constraints upon this nation's response to the most recent wave of factory closings. Only after capital disinvestment was well under way in the northeastern and Great Lakes areas was such legislation even considered. By this time, the productive infrastructure was already outmoded and reindustrialization posed an expensive and difficult challenge. Further, the policy proposals never challenged private control of the investment process; their intent was to impose political constraints on these decisions for the purpose of protecting workers and communities.

The only serious attempt at national factory-closing legislation came in 1974 and was made by then-Senator Walter Mondale and Representative William Ford. These legislators were Democrats from Minnesota and Michigan, respectively, states in which unions are strong. The proposed legislation would have provided tax subsidies and other financial aid to factories at risk of closing. The bill proved unpopular to all concerned. The business community was hostile to any intervention affecting their rights to reinvest as they saw fit, while labor supporters and others on the left objected on the grounds that it represented a tax giveaway to any firm willing to declare they were thinking about closing a plant. The bill was never reported out of committee.[18]

More recent national legislation has treated factory closings in an oblique manner. The Trade Adjustment Act (TAA) provides some severance and retraining benefits to workers losing their jobs due to international competition; and Title III of the Job Training Partnership Act (JTPA; 1982) is earmarked for the retraining of redundant workers. Not only do these more recent laws do nothing to prevent factory closings, but their ability to buffer the workers affected has been minimal. The TAA benefits were earmarked for a minority of the unemployed in the first place—that is, those losing their jobs as a direct consequence of international competition—and in implementation, a strict interpretation has been employed. As a result, very few workers have received these benefits. At the same time, Title III has been allocated only

16. Norman Furniss and Timothy Tilton, *The Case for the Welfare State* (Bloomington: Indiana University Press, 1979).

17. Ibid.

18. Barry Bluestone and Bennett Harrison, *Capital and Communities: The Causes and Consequences of Private Disinvestment* (Washington, DC: Progressive Alliance, 1980).

$0.1 billion of the JTPA's overall budget of $3.7 billion.[19]

In a perverse sense, the policy response directed toward preventing factory closings has come at the state and local levels. Instead of buffering workers or attempting to redirect capital flows, the federal government leaves states and communities to compete against one another in attracting employers—smokestack chasing. This no-win competition results in a further drain on already strained public budgets and has little success in creating or retaining jobs.[20] Several states, including Ohio and Michigan, have given serious attention to legislation to impede plant closings. Early warnings of anticipated closings and financial buffering of affected workers and communities were central concerns in these bills. Businessmen criticized the proposals because they would undermine the business climate; and these bills were ultimately defeated in the late 1970s.

With the defeat of these more extensive factory-closing laws, state-level legislation was directed toward minimal protection of workers and communities. Maine and Wisconsin require advance notification. California has created the California Economic Adjustment Team (CEAT), which works with management and labor on the one hand, and federal, state, and local agencies on the other to respond to individual closings.[21] Though laudable first steps, these various state programs cannot prevent factory closings and have only scratched the surface of easing the transition problems faced by workers and communities.[22]

And this is the situation at present; by default the United States has adopted a laissez-faire response. Though, as Gordus documents, a few communities have taken important steps to buffer the transition of laid-off workers, most workers are obliged to bargain with individual firms for job security, and the prospects for protecting a large proportion of the work force using this approach are dim.[23] The likelier outcome is that more powerful monopoly-sector unions will succeed in gaining some job security from the larger corporations in exchange for major concessions, but the nonunionized and competitive-sector work force will be left without protection of any sort. The recent agreements between the United Automobile Workers and the big automakers—Ford and General Motors—represent an example of this trend. Factory closings remain a private decision despite their far-reaching and deleterious consequences for workers, their communities, and the larger economy.

SWEDEN: THE SOCIAL DEMOCRATIC RESPONSE TO FACTORY CLOSINGS

If the United States represents an example of a free-market approach, then Sweden provides an example of a

19. See Jeanne Prial Gordus, "The Human Resource Implications of Plant Shutdowns," in this issue of *The Annals* of the American Academy of Political and Social Science.

20. Ibid.; see also Yago et al., "Investment and Disinvestment."

21. See Ruth Fedrau, "Responses to Plant Closures and Major Reductions in Force: Private Sector and Community-based Models," in this issue of *The Annals* of the American Academy of Political and Social Science.

22. See Edward J. Blakely and Philip Shapira, "Industrial Restructuring and Public Policies for Investment in Advanced Society," in this issue of *The Annals* of the American Academy of Political and Social Science.

23. Bluestone and Harrison, *Capital and Communities*.

social-welfare-based response to factory closings emerging from a long-standing commitment to those goals. The Swedish state has evolved into a highly centralized and coherent organization. After some striking defeats in the eighteenth and nineteenth centuries, the Swedish monarchy was obliged to forgo its penchant for military adventures and to focus primarily on domestic developments.[24] In this vein, the state played a very active role in the transformation of Sweden from the "poorhouse of Europe" in 1880 into the ideal-typical social welfare state of the postwar era. From the turn of the century onward, the state financed and controlled key infrastructural projects while establishing and expanding tripartite corporatist institutions to coordinate labor markets.[25]

During the same period that it intervened from above to promote industrialization and rationalization of the economy, the Swedish state proved permeable to movements from below. Through a series of reforms, universal suffrage and recognition of organized labor in the realm of collective bargaining and in national economic policymaking were secured.[26] Also a number of social welfare programs were created before the Great Depression, and the central bureaucracy established a tradition of efficiency and centralization in administering these.

This tradition of buffering Swedish citizens from the anarchy of the market was inherited by the Swedish Social Democrats (SPD) when they became the ruling party during the depression. Also important in this discussion is the power of the Swedish labor movement and its close relations with the ruling Swedish Social Democratic party. Not only is over 90 percent of the labor force unionized, but the Landsorganisationen (LO) has managed to fuse much of organized labor—especially the blue-collar unions—into one organization. In turn, the labor movement has provided the SPD with a consistent plurality in the elections, hence a respected claim for influence over policies chosen.[27] Consequently, the Swedish state is not only coherent and centralized enough to formulate and execute ambitiously reformist policies, but due to its accessibility to organized labor and the SPD, it has been used for precisely those ends.[28]

The institutional developments outlined above contributed to an innovative policy response to the depression and to postwar economic development. The Swedish response to the depression became one of deliberate and far-reaching aggregate demand management through the construction of an extensive social welfare state. Sweden's welfare policies go beyond caring for the victims of the market; they are directed toward the prevention of victimization in the first place, sustained economic growth, and full employment. But the Swedes have faced difficult challenges in pur-

24. Kurt Samuelsson, *From Great Power to Welfare State* (London: George Allen & Unwin, 1968).

25. Ibid.

26. Carl-Goran Andrae, "The Swedish Labor Movement and the 1917-18 Revolution," in *Sweden's Development from Poverty to Affluence, 1900-1920*, ed. S. Koblik (Minneapolis: University of Minnesota Press, 1975).

27. Neil Elder, *Government in Sweden: The Executive at Work* (Oxford: Pergamon Press, 1970).

28. Furniss and Tilton, *Case for the Welfare State*.

suing this approach to economic policy. In the 1950s an inflation rate that was higher than desired threatened these social welfare programs.[29]

Instead of retreating, the Swedes adopted a proposal offered by LO economists Gösta Rehn and Rudolph Meidner. Beginning in the mid-1950s and continuing into the 1970s, they expanded social welfare expenditures and job security while making the economy more efficient and productive. Essentially the plan called for a deliberate squeeze on profits through taxation and uniformly high wages so that only the more efficient firms could survive.[30] A sizable portion of the revenues generated were controlled by the Labor Market Board, where the LO and the SPD have a strong voice in making allocation decisions. Primarily, the funds have been used to provide (1) relocation benefits, extensive retraining, and severance benefits for workers affected by redundancy; and (2) investment capital for projects deemed worthy by the board. While forcing a rationalization of the economy, these active labor market policies also improved the quality and the mobility of the work force.[31]

Sweden, like other industrialized nations, faced economic stagnation in the 1970s. However, the response to the situation reflects these institutional developments and an ongoing commitment to social welfare. In 1972 the employers' organization and organized labor negotiated a national agreement dealing with shop-floor rationalization. Both parties recognized a common interest in increasing productivity and remaining competitive, and the agreement reflects this consensus. In return for facilitating the rationalization of production, representatives of the LO are given prior knowledge of and input into changes that affect job security.[32]

During the same period, legislation passed in 1974—updating an act passed in 1971—specifically dealt with factory closings. This legislation requires

—full earnings paid to displaced workers for two years after layoffs—provided the Labor Market Board cannot find suitable alternative employment;

—at least one month's notice of termination, six months' for establishments with 100 or more workers;

—leave with pay for workers searching for alternative employment during the notice period; and

—an enhanced role for the LO in selecting which and how many workers would be rendered redundant.

Additionally, the Codetermination Act of 1976 gives unions advance notification of plant closings and an opportunity to develop alternative plans to prevent job loss.[33]

The Swedish response to factory closings outlined here exhibits the his-

29. Leif Lewin, "The Debate on Economic Planning in Sweden," in *Sweden's Development from Poverty to Affluence*, ed. Koblik.

30. Harold G. Jones, *Planning and Productivity in Sweden* (Totowa, NJ: Rowman and Littlefield, 1976); Lewin, "Debate on Economic Planning in Sweden."

31. Barbash, *Trade Unions and National Economic Policy*; Jones, *Planning and Productivity in Sweden.*

32. Jones, *Planning and Productivity in Sweden.*

33. See Lena Gonäs, "Structural Change: Consequences and Alternatives," in this issue of *The Annals* of the American Academy of Political and Social Science.

torical developments and policy streams cited earlier. These policies have successfully softened the blow of permanent layoffs, but in and of themselves they cannot prevent factory closings or ensure the creation of new employment opportunities.[34] As a result, the Swedes are debating policies explicitly designed to foster economic growth, and these policies focus on the investment process. In part due to the high taxation and wage rates associated with the active labor market policies, and in part due to the limits inherent in private capital markets, needed investments—especially venture capital—have been in short supply. The Labor Market Board—the agency implementing these labor policies—began in the early 1970s to provide grants and loans to foster the creation of employment opportunities. This contributed to a significant expansion of the Labor Market Board's funding—and in the recession year of 1977 it amounted to 9 percent of the government's total budget.[35]

Now the Swedes are exploring a gradual but vast expansion of the public sector's influence over capital flows, thereby ensuring adequate capitalization of desired projects. In other words, Sweden has recognized the limitations of social welfare policies as a means of fostering economic growth. But building upon their institutional abilities in the arena of labor and social welfare policies, the Swedish government and citizenry are considering expanding their capacity to influence investments, thereby complementing existing programs. By playing this dual role, the government hopes to ensure economic growth while maintaining the emphasis on equity.

FRANCE: A MINIMALIST RESPONSE BY AN INTERVENTIONIST GOVERNMENT

Though the French government is famous for intervening in the economy, unlike Sweden, those interventions have not concentrated on social welfare policies. Because laissez-faire policies have never characterized postrevolutionary France, Hayward[36] finds it ironic that a French term is used to describe a doctrine that opposes governmental involvement in economic affairs. Not only is the political system highly centralized, being concentrated in or answering to Paris, but there are powerful economic policy tools at the disposal of the central government. The French banking system is directly controlled by the state, and using its control over capital flows, tariffs, and a variety of other policy tools, the state has consistently protected its client groups—the business community and peasantry—from the market.[37] The uniqueness of the postwar era is that the French state used a system of indicative planning—not to simply buffer client groups, but deliberately to centralize and modernize key industries and to make the entire economy more vibrant. In doing so, the Commissariat du Plann relied on the coordination of the state-controlled banking system as well as sectoral and firm-level state interventions to encourage compliance

34. See ibid.

35. Helen Ginsburg, *Full Employment and Public Policy: The United States and Sweden* (Lexington, MA: D. C. Heath, 1983).

36. Jack Hayward, *The One and Indivisible French Republic* (London: Weidenfeld & Nicholson, 1973).

37. Ibid.; Zysman, *Governments, Markets, and Growth.*

with the plan.[38] In what is in large part a reflection of a successful planning effort, the French maintained a high growth rate throughout the postwar period and doubled the United States's productivity increases.[39]

While the French planners were insulated from society's pressure groups, the goals and outcomes of the planning effort reflected a bias in favor of the bureaucracy's traditional client group—the business community. The stress was on profits, investments, and productivity—not equity and democracy. A high rate of inflation was tolerated for most of the postwar period, while gains in the workers' wages were constrained. As a result, the rise in the real income of workers was quite modest despite impressive economic growth and productivity increases.

This bias is equally evident in the political sphere. While employers were regularly consulted in the planning process, organized labor was consistently ignored. In other words, no tripartite corporatist institutions to incorporate labor were created despite the interventionist nature of French economic policies. And the ability of French labor to negotiate with individual firms has been hampered by the fact that only 25 percent of the workers are unionized, and relations among the Catholic, Communist, and Socialist unions are often hostile. Further, the government permitted employers gradually to back out of collective bargaining beginning in the 1950s and to refuse to negotiate at all in the early 1960s. As will be described subsequently, only in response to the events of May 1968 did the government push employers back to the bargaining table.[40]

In parallel fashion, the French welfare state has only recently been as extensive as it has been elsewhere in Western Europe. A whole range of statistical indices—for example, the Gini coefficient, net redistribution of wealth through taxation, and so forth—reflect this inegalitarian feature of French society. In the areas of health, welfare, and education the French state has only begun to take on an active role in buffering its citizenry from the market. With regard to the issue at hand, work-force training and compensation for workers displaced in the process of rationalizing the economy were given scant attention by French planners prior to 1968. Before the mid-1960s vocational training was archaic and covered by legislation passed in 1919.[41] Despite rhetoric to the contrary and the rapid modernization of the economy throughout the postwar era, state planners and administrators were willing to tolerate an inefficient and privately controlled labor market and the virtual absence of vocational training.

The heightened pace of mergers, conversions, and redundancy in the 1960s—many of these occurrences being a direct result of the government's planning initiatives—brought on a period of labor tension, a tension compounded by the employers' refusal to negotiate. The state pushed for a resumption of collec-

38. Andrew Shonfield, *Modern Capitalism: The Changing Balance of Public and Private Power* (London: Oxford University Press, 1965).

39. Zysman, *Governments, Markets, and Growth.*

40. Yves Delamotte, "Recent Collective Bargaining Trends in France," *International Labor Review*, 103(4):351-77 (1971).

41. Ibid.; Hayward, *The One and Indivisible French Republic.*

tive bargaining in hopes of achieving the plan's goals and maintaining political stability.[42] It was to this end that the state revamped vocational training in 1966. The Vocational Training Act established the National Employment Fund and made retraining available to displaced workers. Simultaneously, the state pressured the employers to begin bargaining with labor once again and to deal with the issue of job security. The Lorraine agreements were reached in 1967; they dealt with a few of the steel industries and provided for notification to workers facing impending job loss, established a set of priorities in choosing those to be laid off, and promoted intra-firm transfers. Retraining of affected workers was to be supplied by the state. This agreement was weak in any case, and few firms agreed to these provisions prior to May 1968.[43]

The issue of job security—in addition to wage increases—was, however, central to the concessions given to labor in the return to normalcy after May 1968. The Vocational Training Act was updated to provide more extensive training and to make it more available. Further, the state mounted pressure on the employers to engage in national and multi-industry collective bargaining. In February 1969, the Grenelle Agreements not only provided the warning period established under the previous bargain but did so at the national level and for most industries. Further, workers notified of an impending layoff were awarded full pay while being retrained in the government's vocational training facilities.[44]

Economic planning became less rigorous during the 1970s for several reasons. Internal to the state, the Treasury—the key agency in making the planning of the 1950s and 1960s possible—became both less willing and less able to coordinate the other agencies that participated in the implementation of the plan.[45] Furthermore, the very success of previous planning efforts spawned major French corporations that were fully competitive in the international market. They were less dependent upon the state for their survival, hence less amenable to cooperating with government planners.

During this same period, the approach to job security was built upon the post-1968 Grenelle Agreements. These proved durable, surviving in roughly the same form to the present, but neither labor nor business people are satisfied with them. The policies provide only partial protection and retraining, so workers still face the threat of permanent layoffs and lack guarantees of alternative employment. With unemployment hovering near 10 percent over the past decade, that threat has proved all too real. On the other hand, the business community protests the impediments to the reorganization of production that the job-security provisions have caused. Ultimately, employers retain the option to hire and fire without consulting workers, but the necessity of providing a warning period and a paid leave of absence for the workers' job search and retraining has meant that exercising this option is both more expensive and more circumscribed.

42. Hayward, *The One and Indivisible French Republic.*

43. Delamotte, "Recent Collective Bargaining Trends in France."

44. Ibid.

45. Diana Green, "The Budget and the Plan," in *French Politics and Public Policy*, ed. P. Cerney and M. Schain (London: Frances Pinter, 1980).

The strong institutional traditions of the French government have ensured a continuation of these basic tendencies even under the Socialist party (PSF) government elected in 1980. The PSF's growth policies marked a return to centralized planning—with nationalizations and strategic use of credit used to increase the government's influence over economic activities in the private sector. Though the PSF emphasizes the importance of full employment and job security, the policies to date have been aimed at overall employment rates and increasing the earning power of employed workers.

The government has been successful in these larger efforts, but the security of individual workers has not been protected. In fact, the Socialist government has evidently felt less constrained by the Grenelle Agreements than its Gaullist predecessor. The government has closed a number of its own plants in core industries and has pushed the private sector to do likewise—all in an effort to modernize. Though there are some severance benefits, unemployment insurance, and partial retraining of workers rendered redundant as mandated in the Grenelle Agreements, the brunt of the burden imposed by these government-backed layoffs is borne by individual workers.[46] Further, newer immigrants to France, older workers, and those with handicaps face a particularly difficult time finding alternative employment.

Recent events have tested this basic response to permanent layoffs; in fact, it has led to a legitimacy crisis for the PSF government. The unemployment insurance fund became less solvent as unemployment mounted. By the end of 1983, the government was negotiating with the unions to lower the benefits during the same period that it was contributing to a growth in permanent layoffs.[47] The problem exploded into crisis with the 1983-84 strike and riot at Peugeot. At issue was the government-backed restructuring that resulted in a permanent job loss for hundreds of employees.[48] In a manner characteristic of French politics, workers excluded from decision making adopted extraparliamentarian tactics to attack private and public sector administrators of unpopular policies.[49]

The long and violent strike brought bitter infighting among the unions and to the PSF government.[50] The government began negotiating a wide range of issues with the unions—not just the level of unemployment benefits. In February 1984 an agreement was reached. While continuing to promote modernization of core industries—even providing massive capital infusions to the firms involved—the workers' interests were addressed as well. For the first time, a systematic training and transfer of workers to new employment opportunities was incorporated into industrial restructuring.[51] If the accompanying rhetoric is indica-

46. Jean-Marie Colombani, "Les Mutations Industrielles Divisent la Gauche," *Le Monde, Selection Hebdominaire*, 18 Jan. 1984.

47. Alain Lebaube, "La Reforme de l'Assurance-Chomage," *Le Monde, Selection Hebdominaire*, 18 Jan. 1984.

48. Colombani, "Les Mutations Industrielles Divisent la Gauche"; Michel Noblecourt, "La Blessure Syndicale," *Le Monde, Selection Hebdominaire*, 11 Jan. 1984.

49. Hayward, *One and Indivisible French Republic.*

50. Colombani, "Les Mutations Industrielles Divisent la Gauche"; Noblecourt, "La Blessure Syndicale."

51. "Mutations Industrielles," *Le Monde*, 10 Feb. 1984; "Le Plan Gouvernmental Présenté aux Syndicats," *Le Monde*, 8 Feb. 1984.

tive, the agreement will be more than window dressing used for crisis management. Instead, it is offered as a first step toward the incorporation of human capital into the planning equation. Out of this crisis, then, is the French promise to complement industrial policies with those addressing social welfare. In doing so, not only are they incorporating equity into the planning equation—but they are ensuring a more efficient transfer and growth of human capital.

CONCLUSION

In the introduction, the three basic policy options for dealing with factory closings were summarized: the conservative free-market approach, the liberal industrial policy, and the social welfare alternative. For all intents and purposes, the first of these has been adopted in the United States. By most accounts this policy is not working. Disinvestment continues, especially in the regions already hardest hit. The workers affected by these economic disruptions receive very little protection, and the human capital they embody is not efficiently transferred to new economic activities.

As explored in this article, viable policy options exist and have been tried in other advanced industrialized countries, but the proponents of social welfare and industrial policies seem not to have learned all the lessons these other nations provide. Simply put, neither approach, by itself, can solve the problem of factory closings. Sweden is attempting to complement social welfare measures by increasing the government's control over investments. Extensive retraining and severance benefits become much less valuable if there exists an absolute insufficiency of employment opportunities. Conversely, the French government is facing a crisis of legitimacy because it has failed to complement industrial policies with those providing for the economic security of workers. Even the French government's growth policies are threatened by the labor tensions resulting from unidimensional policies.

In the United States, reformers face even greater obstacles to achieving either social welfare or industrial policy reforms. Passing and implementing industrial policies requires more than the creation of a present-day Reconstruction Finance Corporation. To be successful, these industrial policies must be coordinated with and, therefore, lead to a significant change in the roles played by the Federal Reserve Board, the Treasury, and the Department of Commerce. The political obstacles to accomplishing this much are daunting, but the resistance of a powerful corporate sector that jealously guards its autonomy makes the task still more difficult. The liberals advocating industrial policies are not strong enough to bring about such an extensive transformation of governmental institutions by themselves, and they certainly cannot look for support to conservatives fearful of all government interventions. Instead, proponents of industrial policies must build a coalition with those concerned with social welfare, and these concerns must be reflected in the policies that emerge. As such, there would have to be less emphasis on the concessions exacted from labor and more on the options opened to workers and the job security such policies can provide.

Proponents of social welfare policies must also learn from other nations. Not only are social welfare policies inade-

quate in and of themselves to ensure full employment, but the social and political conditions for putting social welfare policies into effect are much less promising here than in Sweden. The passage and implementation of social welfare policies would likewise require a broad and powerful coalition. But building such a coalition is not facilitated by identifying industrial policies as antithetical to advances in social welfare. It is simply not true that industrial policies administered by a government bank are always nondemocratic; their democratic nature and relationship to social welfare policies are contingent upon the specifics of the enabling legislation and the manner of implementation.

The basic point is this: proponents of social welfare and industrial policies have more in common than recent debates suggest. Moreover, they need one another if either set of policies is to come into being. The most important obstacles to each are the inertia of existing governmental institutions, the conservatives fearful of all state interventions, and a powerful corporate sector. As such, there is much to be gained by building a broad coalition of reformers instead of making enemies out of potential allies.

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Structural Change: Consequences and Alternatives

By LENA GONÄS

ABSTRACT: Swedish plant-closure research has evolved fro
of individual, community, and regional consequences to the ev
political measures taken, evaluation of future consequences, an
opment of counterproposals and alternatives to plant closur
backs. What is occurring in the development of the Swedish mar
industry today is not only a decrease in employment and the to
of places of employment, but also a rapid change of production
stimulating capital-intensive and concentrated production. T
takes up examples from the Swedish food and glass industry.
several laws that govern plant closures and production cut
Swedish Codetermination Act has given the trade union ne
information and negotiation before decisions are made. Howe
still reserves for the employer the right to decide. The article con
a discussion of the possibilities to form union counterproposals
ples from the Swedish Food Workers Union's industry policy

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THE objective of this article is to discuss certain problems that arise in connection with ongoing industrial changes in Sweden. Taking place in several industries is a process of concentration and specialization which changes the structure of regional production and thereby the geographic distribution of employment opportunities and work places. These changes have serious effects on many individuals; and the central question is, therefore, To what degree is it possible to influence these developments?

It seems to be that the individuals' chances for finding new employment following plant closures and production cuts have worsened. At the same time, the rising average age of the labor force contributes to an increased resistance to mobility and less flexibility in adapting to changes in the structure of production.

In labor rights legislation there are certain regulations that should be considered in connection with the more important changes in production. The Codetermination Act (MBL), the Security of Employment Act (LAS), and the Law on Board Representation are three of the more important cornerstones. In MBL, employees have an instrument to negotiate about almost everything concerning work and the work place. LAS regulates security of employment by stipulating certain rules about seniority and advance notification. The Codetermination Act, however, was not written for crisis situations. For example, one can, with the aid of the Codetermination Act, come to agreements that take away seniority rules and thereby the security of employment for certain groups. This may be done in order to ensure security for the company and employment for other employees.

This article begins with an overview of research in the field of plant closures and major layoffs. This summary shows the development of content and methods in this field during the last two decades, from follow-up studies of individual consequences to action research trying to formulate different kinds of alternatives. The article continues with a discussion of recent trends in some industries, with examples from studies conducted at Arbetslivscentrum that focus on structural change and trade union influence and show that possibilities for formulating union counterproposals and attaining influence in connection with structural changes are limited.[1] The article concludes with a discussion of this problem based on the Swedish Food Workers Union's industry policy program.

RESEARCH CONCERNING PLANT CLOSURES AND STRUCTURAL CHANGE

Research in the area of structural change and its consequences has been carried out in Sweden for several decades and has been characterized by a variety of disciplinary perspectives as well as various theoretical points of departure and methodological techniques.

Analyses of closures and disinvestment in selected industries have been carried out since the early 1960s. The first studies were conducted within the textile industry and focused on the impact these developments had upon affected individuals.

1. Lena Gonäs, Peter Mossfeldt, and Bengt Ohlsson, "Strukturomvandling, konsekvenser och fackliga alternativ: Projekplan" (Unpublished paper, Arbetslivscentrum, Stockholm, 1981).

The findings indicated that certain groups of workers suffer more than others:

1. Older workers, irrespective of vocational training and experience, stay unemployed for longer periods of time.
2. Women disappear from the labor market to a greater extent than men. If they do obtain new jobs, they more often than not get lower pay and worse working conditions.
3. Workers without skill generally have very great difficulty in finding new, meaningful jobs.
4. Moving to a new place for a job is a viable alternative only for those workers not tied economically or socially to the old community or for those who have a skill that is in demand.

Various manpower policies are in place to deal with plant closures. Research on the effectiveness of these measures shows a much greater success in periods of high economic activity. In a recession, the so-called adjustment measure—mobility premiums, retraining, and labor exchange—have a very limited effect.[2] With little demand for labor in the labor market, they are quite ineffective. In this situation, the most important manpower policy measure is to try to keep workers on the job.

In periods of high economic activity, on the other hand, the chances of success with these methods are very good. Subsidies to investments in depressed areas seem to have given the best results over longer periods of time. However, these studies reveal a marked difference between the increase in employment promised by the industry when it applied for the subsidy and the final employment increase. Active manpower policies and regional subsidies have many times led to a more differentiated labor market. This does not automatically mean, however, that these measures have benefited all workers who became unemployed as a consequence of a plant closure.

Research has changed its focus in accordance with the development of social policy. The development of regional policies and various labor market policy measures consequently, and quite naturally, prompted researchers to scrutinize critically the nature and effects of these policies and measures. Table 1 illustrates the developmental pattern of plant closure research in Sweden since 1960. The progression should be viewed as a cumulative process in which the results from the first stage underlie the next.[3]

The issue of social and economic evaluations became increasingly pronounced during the 1970s. In spite of methodological weaknesses and incomplete theoretical assumptions, these evaluations have come to be used to a larger extent by political authorities and trade union organizations as the basis of their positions, either for or against continued operations in given industries. Furthermore, institutional changes and the broadening of the rights of labor through legislation such as the acts on employee representation on company boards, codetermination, and security of employment, as well as collective

2. Lena Gonäs, *Plant Shut Down and Labour Market Policy*, Geografiska regionstudier nr 10 (Uppsala: Uppsala universitet, Kulturgeografiska institutionen, 1974).

3. Lena Gonäs, "Lokal kunskap och internationella beslut," in *Forskning for forandring* (Stockholm: Arbetslivscentrum, 1981).

TABLE 1
DEVELOPMENT OF PLANT CLOSURE RESEARCH, 1960-80

	Content	Method
1960	Individual consequences	
	Consequences for the region and the labor market	Follow-up studies
	Effects of regional and labor market policy	
	Financial/social economic evaluation	Prognosis, impact evaluations
	Analyses of decision-making processes, strategies, and employee influence	Research oriented to effect change
1980	Formulation of alternatives	Action research

agreements concerning trade union consultants and economic committees, have influenced the direction of research.

Studies have been carried out concerning the decision-making processes and strategies of companies and corporations as well as the possibilities available to employees for influencing these decision-making procedures and strategies. As well, there have been studies concerning local self-reliance, and survival under new and altered conditions. Some of these studies include both a company power influence dimension and a geographical influence dimension. The first dimension concerns labor and companies; the other, the surrounding social environment and future alternatives for the local communities.

By alternative formulations we mean that employees or municipal residents—sometimes with the assistance of researchers—develop a proposal concerning ownership, production focus, or work organization that differs significantly from the initial company-authored plans and proposals. The proposal may also involve a geographical perspective dealing with a region's long-term economic survival, which includes new products and operations.

In summary, Swedish plant closure research has evolved from the study of individual, community, and regional consequences to the evaluation of political measures taken or not taken, evaluations of future consequences, and the development of counterproposals and alternatives to plant closures and cutbacks. The shift in focus also has involved significant methodological changes. From being post-event descriptions and follow-ups, there has been a move toward participant observation of the entire process. Some researchers have then carried out future prognoses and impact evaluations on the basis of previous studies concerning a given group of employees and/or a specific type of regional or local labor market. Many research groups have begun to engage in action research or change-oriented research. For example, at Arbetslivscentrum we have been interested primarily in studying forms of trade union participation in decisions concerning the structure of industry and

TABLE 2
SITUATION OF REDUNDANT WORKERS SIX TO NINE MONTHS AFTER PLANT CLOSURE: A COMPARISON OF FOUR STUDIES

Situation of Worker	Study: 87 Enterprises, 1966-70 (percentage)	8 Enterprises, 1970-71 (percentage)	283 Enterprises, 1974-76 (percentage)	20 Enterprises, 1977-78 (percentage)
Found work places in the open market	69.6	64.4	66.4	59.8
Received labor market training	4.6	6.8	4.8	7.2
Obtained sheltered work*	4.1	3.9	1.8	3.8
Retired	3.1	8.3	2.2	5.1
Reported sick	3.3	2.9	2.6	3.0
Discouraged from looking for employment	4.2	5.1	9.1	4.7
Unemployed	10.8	8.0	12.8	16.5

SOURCE: Sweden, Government bill no. 165, 1979/1980.
*Sheltered work is for people who cannot obtain employment in the regular, more competitive labor market.

the formulation of trade union alternatives.[4]

New trends?

In the last few years we have noticed new signs that the negative consequences of structural change are becoming ever more uncomfortable for workers. For example, we have seen that unemployment affects more workers and lasts longer. Table 2 shows the results from four different plant closure studies during the period 1966-78.

The results show an appalling tendency. The number of workers who stay unemployed six to nine months after the plant closure has increased, while the number of workers finding jobs in the open market has decreased. This trend is further documented in a very recent study of 200 closures affecting 22,000 employees. The number of redundant workers finding new jobs fell from 67 percent in 1966 to 50 percent in 1980.[5] An example was cited in the report of the Clothing Workers Union at its 1981 convention. Of all the workers—133 persons—made redundant by a specific plant closure in 1978, only half had found new jobs a year and a half later. No one over 60 years of age had found a job. Thirty percent were reported

4. For a bibliography of research in the field of plant closures, see Peter Mossfeldt, *Sista Skiftet* (Stockholm: Arbetslivscentrum, 1983); an English summary is being prepared by John Fry of Arbetslivscentrum.

5. Par-Anders Edin, "Ateranpassning till den reguljara arebetsmarknaden efter driftsomlaggningar," stencil (Uppsala: Nationalekonsmiska institutionen, Uppsala universitet, 1981).

unemployed. Most of the unemployed were women, and they were referred to whatever jobs were available in the local labor market.[6]

STRUCTURAL CHANGE

During the 1970s between 1 and 2 percent of those employed in the manufacturing industry were annually affected by company closures.[7] In 1971 14,000 workers were affected. In 1978, the total had risen to 22,000. In relation to total employment in this sector, one might consider these numbers to be relatively small. However, if one studies the subsectors of manufacturing more closely, it becomes clear that some industries are in serious trouble. Within textiles and clothing, an industry acknowledged to be in crisis, the proportion affected by closures increased from 3.3 percent in 1971 to 5.1 percent in 1978. In absolute terms, total employment in this sector was reduced by one-third during this period. Of the total reduction, over one-half were employed in companies that were permanently closed.

In examining structural changes, it is essential to consider the ratio of closed to newly established companies. Again differences between industries are significant. For the manufacturing industry in its entirety, the number of closures has been relatively constant during the 1970s. The total number of newly established companies per year has decreased; there has been a 50 percent reduction in their number from 1970 to 1980. In the so-called crisis industries, this development was, of course, even more severe. The ratio of newly established to closed companies was 0.48 for the textile and clothing industry in 1971; in 1978, the ratio was down to 0.16. For the manufacturing industry in its entirety, the ratios were 0.59 and 0.33, respectively.

What is occurring is not only a decrease in employment and the total number of places of employment, but a rapidly developing structural change as well, in which new production technology stimulates capital-intensive and concentrated production. The following sections present the results from two studies carried out in Arbetslivscentrum that illustrate this development in the food and glass industries.

The food industry: concentration and specialization

The Swedish food industry is dominated by the Farmer's Cooperative (LRF), which through the various producer cooperatives owns approximately 45 percent of the Swedish food industry. The consumer cooperatives own 12 percent. A similarly large share is owned by multinational companies. To illustrate the developments within the food industry, the slaughtering and meat-sales branch is used as an example.[8]

The dominant companies within the meat-packing branch are 10 producer cooperative slaughter associates that are members of Sweden's Slaughter Union (SS) and thereby are members of LRF, the Farmer's Cooperative. In the mid-1950s there were 25 producing member

6. "Jobben" (Rapport till Bekladnadsarbetare for bundets Kongress, 1981).

7. *Industry Statistics* (Stockholm: Swedish Bureau of Statistics, published annually).

8. Gunnel Forsberg et al., *Näringspolitik: Livsmedelsindustrin i ett fackligt perspektiv* (Stockholm: Arbetslivscentrum, 1981).

organizations. During the 1960s a merger strategy was implemented within the Farmer's Cooperative that entailed merging several producer associations so that it would be possible to concentrate production and gain access to capital for new investments. During the 1970s the largest mergers within the slaughter organizations took place. These mergers were pushed through despite the occasional opposition of individual members—farmers.

The mergers resulted in a concentration of production as many operations were shut down. In the slaughtering section there was a 33 percent reduction in the number of operations between 1955 and 1977. On the other hand, in terms of employment, there was an increase from 12,800 in 1960 to 19,000 in 1980, considering the entire slaughter and meat-sales branch. The concentration within this branch resulted in a large reduction of the total number of plants but not a corresponding reduction of employment.

The opposition aroused by this merger strategy during the 1970s resulted in an abandonment of the concentration policy. Instead, there was a move toward national production of certain foodstuffs. This approach means that the slaughter organization assigns a certain production quota to a given firm that then sells its total nationwide production to other firms in the slaughter organization. By this means, the slaughter organization, along with the management of member organizations, still has control over what is produced without having to push through protracted and costly mergers.

The national production policy involves both a centralization of control and a decentralization of production. It is possible to retain production operations spread over the country while at the same time production in each operation becomes highly specialized and facilitates central control and direction. Even though each producing unit is relatively small, it still involves large-scale production of one product.

New production techniques have been introduced as a means to achieve a specialization of production. As a result of these changes, each production unit becomes highly vulnerable because production is tied to a very few products. If the market for these products weakens, so does the future of the work place. Consequently, the regional labor market in which the company is located becomes more vulnerable, especially in situations in which the company has a dominant position in the region.

Another important tendency that is relatively clear in the food industry is the desire to achieve a vertical integration in the chain of production from raw materials to processing, distribution, and retail sales. A subcontracting relationship is now evolving between the processors and the food wholesalers who order products bearing their own brand name from the suppliers that offer the best terms. The individual food-processing companies thereby become increasingly dependent upon the food stores. At the same time, they are cut off from consumers and individual food retailers. Consequently the trading sector gains increased influence over the production sector within this industry. The result for the production sector is increased dependency and reduced bargaining power. As in the case of specialization, production at each individual work place becomes vulnerable and sensitive to changes. If the purchasers' terms are

TABLE 3
PRODUCTION PLANTS FOR FLAT GLASS

	Sweden	Norway	Denmark	Finland
1970	Emmaboda	Drammen	Korsor	Lathi, Rahimaki
1975	Emmaboda (closed 1976 and 1978)	Drammen (closed 1977)	Korsor	Lathi, Rahimaki (closed 1975)
1980	Halmstad-Pilkington (established 1976)	—	Korsor	Lathi
1985	Halmstad-Pilkington	—	—	—

SOURCE: *Planglasindustrin*, SIND 1980, no. 8 (Stockholm: Statens Industriverk, 1980).

sharpened, the existence of the work place can be endangered. The result for the regional labor market is similar.

The flat glass industry

The flat glass industry[9] provides another clear example of a sector of the economy in which concentration and specialization tendencies have become dominant. A new technique—flotation—has created the conditions for large-scale production with strong specialization and concentration. Table 3 illustrates the past and predicted changes occurring in plant location in the Nordic glass market in connection with the introduction of the new technique.

According to projections of the State Industry Board, approximately 10 years after Pilkington's 1976 introduction of flotation in its Halmstad plant, all other operations in Scandinavia will have disappeared.[10] These have been operations with production based on the older Pittsburg technique. If we look at the manual glass industry and small glass works, we see that the same changes have occurred within that branch; the new technique is introduced and production is then concentrated and specialized to a limited number of products. The objective is to achieve greater international competitiveness and halt the increased import of machine-manufactured glass from other countries.

One conclusion we have drawn from the case of Emmaboda is that the owner, St. Gobain, was not directly interested in flat glass production in Emmaboda. St. Gobain was seeking access to the distribution network built up by the old company, through which they now can sell products on the Scandinavian market that are produced at plants located throughout the entire European continent.

In this case we have another example of vertical integration. This integration, however, characterizes even domestic industrial operations, as we have seen in the food industry. Especiallly the larger concerns build up their operations in such a manner as to seek control not only over actual processing operations but also over the entire sales sector. The result is that previously existing regional production relations are broken up. At the same time, the possibilities of employees and their organizations

9. Lena Gonäs et al., *Emmaboda rapporten* (Stockholm: Arbetslivscentrum, 1979).

10. *Planglasindustrin*, SIND 1980, no. 8 (Stockholm: Statens Industriverk, 1980).

obtaining information and influence over production are weakened.

STRUCTURAL DECISIONS AND CODETERMINATION

The Swedish Codetermination Act of 1976 (MBL) reserves for employers the right of decision over structural change, while giving trade union organizations new rights to information and negotiation before decisions are made. This arrangement, however, has not markedly strengthened the power of the unions to influence more important changes in the enterprise when there is disagreement between the two sides. After drawn-out negotiations, at both the local and the central levels, the manager and the board of directors still make the decision, and the employee representative on the board can only file a dissenting vote.

Through the use of employee consultants, the union side can usually get sufficient background information to work out its own proposals. But even when combined with employee consultants and corporate board representatives of the workers—as in the 1974 Law on Board Representation—MBL can hardly be said to be an instrument with which trade unions can decisively influence structural decisions. The Emmaboda case again serves as an example.

The information received by the employees of Emmaboda arrived, as a rule, much too late. While the employees participated in negotiations, it was only at the local level, where no really important decisions were made. Although the unions had formulated counterproposals with the help of employee consultants, these were not considered by management.

In study circles organized by the research project in cooperation with the union at the Emmaboda Glassworks, a number of alternative union strategies were discussed. One was the takeover of the last glass oven before it was switched off. Other strategies were new production projects. In Emmaboda the actual cuts in production were distributed over a longer period of time, so that they never led to any layoffs for lack of work. Instead, no new employees were taken on, and the personnel reduction was accomplished mainly through attrition.

Table 4 shows how Swedish labor law and labor market policies affect the closure of a plant. The history, from the first signs of the crisis to the final closure of the plant, has been divided into three periods. During the first period, when different alternatives for the future of the plant are formulated, both unions and management actively work to assemble information and knowledge and formulate arguments about the most important questions. The union has the right to demand and obtain all the information needed to form a trade union counterproposal. They often have the help of an employee consultant in formulating their counterproposal.

The Employment Security Act stipulates that the employer must give warning of the impending closure before MBL negotiations regarding the closure start. After these negotiations have started, the union cannot influence events very much because the law gives the employer the right of decision. Generally, the negotiations end with the two sides declaring their disagreement. Soon afterward the board of directors decides along the lines it advocated from the beginning, while the union representatives on the board dissent.

TABLE 4
A PLANT CLOSURE CASE: THE IMPLEMENTATION OF ACTS AND AGREEMENTS

Phase 1: Formulation of Alternatives at the First Signs of Crisis	Phase 2: Negotiations and Decisions	Phase 3: Phasing Out the Plant
A joint committee is set up to survey the future of the enterprise. Different alternatives are presented, one of which is closure of the plant. The corporate board takes up the committee report. The union representative demands the appointment of an employee consultant. The board decides accordingly. The employee consultant in cooperation with the union representatives formulates an employee alternative, for example, continued activity with reduced work force.	Corporate board discusses the committee report and employee-consultant alternative. The corporate board decides to follow the alternative of the joint committee to start MBL negotiations about the closure of the plant and to inform community authorities and the regional labor market authority. Trade union representatives file their dissenting vote. They suggest that the employee alternative merits closer scrutiny. MBL negotiations proceed according to Para. 11; local negotiations end in no agreement; negotiations taken up to the national level between the national union and the employee federation also end in no agreement. The corporate board decides that the plant should be closed. Union representatives on the board file a dissenting vote.	Employees are notified of termination of employment. A joint committee is formed with representatives from the regional labor market council, local community, enterprises, and unions. Negotiations take place about seniority rules according to LAS and MBL. The formation of personnel pool for redundant employees is possible. Discussions take place with the labor exchange and the regional labor market council regarding subsidies and other support. The labor exchange moves into the enterprise. Individual counseling of all employees includes chances of finding new employment, training and retraining, mobility premiums, and integrated family solutions.

The next phase is the period of the closure. Here the law on employment security and the law on job promotion set the time frames. Timing varies according to the number of employees in the work place. Closure may take only two months when there are 5 to 25 employees, but 6 months for plants with over 100 employees. The employees are to be given notice a certain number of months in advance, depending on age and years of employment. Persons who have worked a minimum of 6 consecutive months in the enterprise must be given one month's notice if they are under 25 years of age. Persons over 45 are guaranteed 6 months' notice.

In matters of plant closure it is not clear which law comes first, MBL or the Employment Security Act. It is possible to abrogate the seniority rules, as mentioned earlier, thereby weakening the employment security of older workers. Again, seniority rules have also been sidetracked when there has been a need for people with scarce skills at the time production has been cut. Company interests and productivity needs have often decided who should stay and who should leave.

In recent years, a new tendency for black pensioning has developed. With the use of the unemployment security pay for 450 days and prepensioning—

early pension—at the age of 60, it is possible for the company to let employees at the age of 58 years and 3 months leave the company first. The company can then keep the younger, better-educated people in production. This arrangement is based on local agreement between the company and the local trade union.

As is clear from this short survey, there are several laws that govern plant closures or production cuts. These acts and accompanying agreements are quite complex, and it is not always easy to decide which one serves the workers best or which one has precedence over the other.

UNION COUNTERPROPOSALS AND ALTERNATIVES

There are many examples of how enterprises facing major structural changes invite the unions to participate in committee work to study the future of the enterprise. In such committees, trade union representatives are given information related to problems of the companies. The choice of problems to be discussed and of material to be submitted, however, rests with experts without trade union mandates. The trade union representative as a rule becomes isolated in representing his or her interests and is not always listened to.[11] In a joint committee, therefore, it is very difficult to formulate or advocate trade union alternatives. These should be formulated preferably in cooperation with an employee consultant and discussed in a trade union working party to begin with. After the union has formulated its ideas, they will be discussed in joint committees and by the corporate board.

When management makes the decision, the normal procedure is to adopt the alternative recommended by the corporate board. When unions have been listened to, it has been in situations in which management has been pressed for time and has had to make a quick reconstruction of the company. In these situations, it has been imperative to enlist the support of the trade unions, who have then been able to have some of their proposals accepted.

One way of formulating trade union alternatives is shown by the Swedish Food Workers Union in its program for a new structure of the industry, presented and adopted at its convention in June 1981.[12] The national union program suggested a progressive development of local programs to serve as the basis for trade union activities in the enterprises.

The union has adopted certain principles in its program. One of these principles is the need for planned and regionally decentralized production. Another principle is the need for integrated production in each place of work. Food production should be decentralized, rather than centralized to fewer and fewer places of production. This also implies that the ongoing specialization of production should be discontinued. These two principles involve claims that are contrary to existing tendencies.

In order for these principles to be realized the union will have to work on two different levels. In daily trade union

11. Forsberg et al., *Näringspolitik*.

12. "Näringspolitik" (Handlingsprogram till Svenska Livsmedelsarbetareforbundets kongress, Stockholm, 1981).

activities the local unions will have to work out local programs. These will then serve as a basis for trade union representatives in formulating their own alternatives before they are called to the negotiation table. On the regional level the unions have to unite around certain goals concerning production and location to avoid internal conflicts in times of production cuts and restructuring.

SUMMARY

In the studies mentioned, we have analyzed the decision-making process and the preconditions for trade union influence as well as its actual effects. Some of the main conclusions drawn are the following:

1. The employees acquire necessary knowledge of corporate crises or restructuring too late.
2. The employees lack alternatives of their own and negotiation preparedness.
3. The long-range issues become lost in everyday union activity.
4. In the event of a plant closure, the union efforts are primarily directed at moderating the worst of the consequences.
5. By the time a closure decision is announced by the company, it is too late to attempt to find long-term solutions that would permit continued operation.

From a regional and community perspective, it is clear that municipal authorities have also been equally unprepared, if not more unprepared than the unions, when confronted with the plans of a large company to carry out a plant closure or reduction of operations. The municipal authorities have had no possibility of either foreseeing or influencing these corporate decisions. Yet these authorities have a stake in such decisions because municipalities have invested in residential dwellings and the local infrastructure necessary for supplying industries with labor power.

The demand for a national industrial policy and industry-specific programs has been heard from various sources, but the food workers union and factory workers union are the only trade unions that have developed proposals. The objective of these programs is to assist union locals and clubs to formulate alternatives and negotiate strategies prior to major production-altering decisions being announced by the company. On the national level, the government's industrial policy must develop plans for the restructuring of industrial sectors that must be based on the best way to use and develop the resources of the country.

At the same time, local and regional solutions to the problem of developing new industries and employment must be both permitted and encouraged. Here we can see a new tendency emerging in which local communes—local governments—establish their own industrial development organizations and try to solve the problems themselves through the utilization of labor market and regional policy. If this approach is to succeed, the balance of competence and power between actors on the national and local levels has to be solved in the near future. Likewise, answers must be found to the question of how to unite and strengthen the unions' bargaining position on issues of structural change.

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Economic Restructuring: The British Experience

By DAVID ROSE, CAROLYN VOGLER, GORDON MARSHALL, and HOWARD NEWBY

ABSTRACT: This article deals with certain aspects of British economic decline. After a short historical review of British economic performance, the phenomenon of deindustrialization is examined. Two major economic theories of deindustrialization are discussed alongside empirical evidence of the recent, rapid decline in Britain's manufacturing base and its worsening trade performance in goods and services. The effects of multinational corporations are also briefly examined. In the final section of the article, attention is given to some of the social and political aspects of deindustrialization. In particular, evidence on poverty, unemployment, and living standards in contemporary Britain is discussed in relation to a sociological model that attempts to explain certain apparent paradoxes of British society. This model is an extension of T. H. Marshall's pioneering work on citizenship and social class and serves to highlight both the continuing stabilizing effects of the modern status order and the possibility of further clashes between the competing claims of citizenship and social class.

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IN the affluent 1950s and 1960s some social scientists began to turn their attention toward the long-term consequences of postwar socioeconomic changes in advanced industrial societies. In particular, shifts in the occupational structure were taken to be a crucial indicator of what the future held. As manufacturing industries in the advanced societies began to shed labor, so service industries in both public and private sectors began to expand. Gradually the industrial society would be transformed into the service society: indeed we were moving toward the postindustrial society.[1]

However, the reality of the 1980s is not quite what was anticipated. The long boom of the period 1945-72 has been replaced by world recession. "Postindustrialism" has become "deindustrialization," a term with much less comforting overtones. We are not now concerned so much with the expanding service economy but with the declining industrial economy. Indeed, insofar as anyone is still concerned with the expanding service economy, that concern is more likely to be couched in terms of the economic dangers of seemingly ever-expanding "nonproductive" public services and the drain they are alleged to make on the "productive" private sector. The dangers for social scientists in extrapolating from short-run trends to long-term consequences could hardly be illustrated in starker terms.

In this article we intend to examine certain aspects of deindustrialization in Britain. Perhaps not surprisingly, the first industrial nation has become the first deindustrializing nation. However one might define deindustrialization, Britain would appear to have traveled farthest in the process. Moreover, that process has been sharply accelerated in recent years, as evidence presented here will show. While all the advanced capitalist societies have faced severe difficulties as a result of the world recession, Britain would appear to be suffering more acutely than most.

HISTORICAL BACKGROUND

Before we examine the current situation and future prospects for Britain, it is necessary to place our discussion in some historical context. Whatever problems Britain faces, they are not particularly new, even though they have undoubtedly become more severe.[2]

The dominance in terms of world trade and manufacturing output that Britain enjoyed for most of the nineteenth century, by virtue of its unrivaled position as an industrial nation with a vast empire, set a pattern for its international trading position. The system of economic relations between nation-states that Britain promoted and sometimes enforced—free trade—involved the exchange of exported manufactured articles and capital goods for imported food and raw materials. The country's position as an imperial power served as a form of protection when international competition increased as other nations began to industrialize and international trade decreased. It was the reordering of the international economy after 1945 that turned Britain's international situation from a source of strength to a

1. The best-known sociological work in this genre is that of Daniel Bell; see, for example, *The Coming of Post-Industrial Society* (London: Heinemann, 1974).

2. See, for example, Andrew Gamble, *Britain in Decline* (London: Macmillan, 1981).

source of weakness, especially when combined with the decline of its imperial role, the basis of its international position as a great power.

A new internationally open economic system, with the United States at the hub, was established by the Bretton Woods Agreement and the Marshall Plan. The main feature of this new international economic order was a decline in links between the advanced and the less advanced national economies concomitant with a vast increase in the economic links between the most developed industrial nations.[3] These links took two forms. There was, first, a massive increase in the trade in manufactured goods;[4] and second, a similarly large increase in foreign direct investment in productive capital.[5] The most highly developed industrial nations therefore became much more dependent than previously on both the import and the export of manufactured goods and direct production in each other's markets.

Because of its traditional international role and trading pattern, Britain became even more dependent than most similar countries on the new economic order; and, as Mann has argued, Britain thus became more vulnerable to any "unplanned fluctuations and crises of confidence" in the international economy.[6] While the extent of British trade is fairly similar to that of other advanced industrial countries, British finance capital has remained geared more toward overseas banking and insurance, and British manufacturing has remained more concentrated and more dependent on overseas production.[7] The problems Britain was to face consequent upon these factors were disguised in the long boom of 1945-72 as Britain's economy was sustained by the expansion of the world economy.

Even during this period, however, and especially in the 1960s, Britain faced recurrent balance-of-payments crises leading to a devaluation of sterling in 1967. To some extent such crises were experienced precisely because of Britain's international role. High levels of government spending overseas, combined with a high level of private investment abroad, placed a strain on the balance of payments. The needs of the domestic economy tended to take second place to the maintenance of an international position that Britain could no longer afford and, moreover, one that competitor nations such as West Germany, France, and Japan did not maintain.[8] One result was that Britain developed more multinational industrial firms than any other country, apart from the United States, to go alongside

3. W. M. Scammel, *The International Economy Since 1945* (London: Macmillan, 1983); and Fred L. Block, *The Origins of International Economic Disorder* (London: University of California Press, 1977).

4. Scammell, *International Economy*; and Karel Williams et al., *Why Are the British Bad at Manufacturing* (London: Routledge and Kegan Paul, 1983).

5. Scammell, *International Economy*; Williams et al., *Why Are the British.*

6. Michael Mann, "Nationalism and Internationalism: A Critique of Economic and Defence Policies," in *Socialism in a Cold Climate*, ed. J. Griffith (London: Allen and Unwin, 1983), pp. 184-206.

7. Scammell, *International Economy*; Williams et al., *Why Are the British*; Mann, "Nationalism and Internationalism."

8. For more details on this point see Stephen Blank, "Britain: The Politics of Foreign Economic Policy," *International Organisation*, 31(4) (1977).

the transnational operations of British finance capital. Again, however, such overseas expansion was bought at a cost to the domestic economy in terms of productivity, investment, exports, and, most recently, jobs.

As we indicate later, in the face of competition from overseas, Britain is now deindustrializing at an unprecedented rate, whether deindustrialization is measured in terms of industrial employment or the ability of manufacturing industry to sustain Britain's international trading position in conjunction with the country's invisible earnings—earnings from tourism and profits from overseas investment and financial services.

In order to document the situation more fully, it is necessary to distinguish long-term trends in the British economy from the effects of the two most recent world recessions of 1975 and 1980, which, while affecting all countries, did not do so to the same extent. Indeed, both recessions had a disproportionately greater effect on Britain because of that country's relative international openness and lack of international competitiveness.[9]

Since the early 1950s, the British economy has been characterized by a dramatic increase in the volume of manufactured imports, which has not been compensated for by corresponding increases in exports. Between 1955 and 1970, foreign manufacturers almost doubled their share of the British home market—from 8 percent in 1955 to 15 percent in 1970—and this was also typical of Britain's main trading partners in Europe.[10] At the same time, however, Britain's export performance declined precipitously. With the exception of the United States, this was atypical of Britain's main competitors, all of which increased their export performance during the same period. Britain's share of world trade in manufactures declined from 25 percent in 1950 to 10 percent in 1970, while in the same period Germany's increased from 7 to 20 percent, Japan's from 3 to 12 percent, Italy's from 5 to 7 percent, with France maintaining its position at around 10 percent.[11] Between 1950 and 1960, Britain was the only advanced industrial country in which exports grew less than total output.[12]

Although the British economy continued to grow between 1950 and 1970, it did so at rates that fell progressively behind those of Japan, West Germany, the United States, France, and Italy. Between 1955 and 1968, Britain's average annual increase in per capita gross domestic product was only 2.8 percent as compared with 10 percent in Japan, 5.7 percent in France, 5.5 percent in Italy, 4 percent in the United States, 3.9 percent in Belgium, and 5.1 percent in the Netherlands.[13]

Productivity and investment in British industry similarly grew more slowly than elsewhere, so that by the 1970s Britain had lost competitiveness in relation to all other advanced industrial countries. Between 1960 and 1970 output per person employed grew by only 2.5 per-

9. Scammell, *International Economy* provides a useful discussion on the two most recent world recessions.

10. Williams et al., *Why Are the British*; M. Panic, "Why the UK's Propensity to Import Is So High," *Lloyds Bank Review*, 115:1-12 (Jan. 1975).

11. Williams et al., *Why Are the British*, app. A, tab. 3.

12. Scammell, *International Economy*, p. 63.

13. Ibid., p. 125.

cent in Britain as compared with 10 percent in Japan, 5 percent in France, 4.4 percent in Germany, 6.5 percent in Italy, 4 percent in Belgium, and 4 percent in the Netherlands.[14] By 1968 labor productivity in American manufacturing was 2.8 times greater than in U.K. manufacturing—in terms of output per person—and 1.3 times greater than German manufacturing.[15] Investment in British industry—measured as a proportion of gross national product (GNP)—was similarly lower than in any other advanced industrial country. Between 1950 and 1960 average investment in Britain as a proportion of GNP was 15 percent as compared with 19 percent in France, 24 percent in Germany, 21 percent in Italy, and 20 percent in the United States.[16]

Overall, therefore, Britain declined progressively relative to other advanced industrial countries in the 1950s and 1960s. Both Conservative and Labour governments attempted to improve investment, output, and competitiveness via various national economic planning measures.[17] However, as Longstreth has argued, such government planning was consistently undermined by Britain's position in the international economy. Exchange crises and balance-of-payment deficits constrained governments to abandon planning measures and resort to deflationary policies designed to protect the value of the currency.[18] Such policies further reduced the rate of productivity growth in industry and contributed toward the long-term, progressive deterioration in the balance-of-payment situation.[19]

The recession of the late 1970s exacerbated Britain's already serious problems, both externally in terms of a further decline in the share of world trade and internally in terms of "stagflation," that is, high rates of inflation and unemployment and lower rates still of economic growth.[20] Under pressure from the International Monetary Fund the Labour government of 1974-79 abandoned Keynesian demand management policies and resorted after 1976 to public expenditure cuts, ushering in an era of much higher rates of unemployment.[21]

The change of government in May 1979 saw the incipient monetarism of the Labour government given a much greater stimulus. While the Thatcher administration did eventually succeed in reducing inflation to a rate below that of most of Britain's major competitors, it did so via further deflationary policies that led to a more rapid decline in manu-

14. Ibid.

15. A. D. Smith et al., "International Productivity: A Comparison of Britain, America, and Germany," *National Institute Economic Review*, 101:13-25 (Aug. 1982).

16. Scammell, *International Economy*.

17. For a general discussion of government policies from the 1950s to the early 1970s, see Leo Panitch, *Social Democracy and Industrial Militancy* (Cambridge: Cambridge University Press, 1976); see also Colin Crouch, *Class, Conflict, and the Industrial Relations Crisis* (London: Humanities Press, 1977).

18. Frank Longstreth, "Financial Markets and the Political Busines Cycle," mimeographed (Bath: University of Bath, Department of Sociology, 1983).

19. John Eatwell, *Whatever Happened to Britain?* (London: BBC Publications, 1982), p. 130.

20. For a detailed discussion of the phenomenon of stagflation, see Howard J. Sherman, *Stagflation: A Radical Theory of Unemployment and Inflation* (New York: Harper & Row, 1976).

21. David Coates, *Labour in Power?* (London: Longman, 1980).

facturing industry and huge increases in unemployment.[22] Continuing low rates of output, investment, and productivity led to a further worsening of Britain's import penetration problems, and the share of world trade fell still further. The most dramatic indicator of Britain's problems, however, is the rapid decline in the manufacturing base. It is this phenomenon of deindustrialization, both in theoretical and empirical terms, that we now consider.

THEORIES OF DEINDUSTRIALIZATION

In many ways the decline of manufacturing in terms of employment has long been anticipated by social scientists. Just as the industrial revolution led to a massive movement of people out of the primary sector of the economy into the newly created industrial jobs in the secondary sector, so it was believed there would be a movement in the postindustrial society from jobs in the secondary sector to those in the tertiary sector of services. The major reasons for this latter expectation were connected to increasing productivity levels in industry and the propensity toward a service economy as countries became richer.[23]

Sociological writers in this tradition have therefore been concerned with how sectoral shifts in economic activity, themselves based largely upon technological change, have prompted changes in the social structure of advanced industrial societies such that the epithet "postindustrial" society can be applied. The image of such a postindustrial society is one in which there is a move away from boring, repetitive, unskilled work toward a higher proportion of jobs requiring greater responsibility and technical expertise. Workers gain both greater control over their conditions of work and greater freedom in work. Disregarding the weaknesses of such an argument, if this is what is meant by deindustrialization, why should anyone be greatly concerned? Clearly the answer lies in what is seen to cause sectoral shifts in employment. It is in this regard that we need to take seriously recent theories of deindustrialization that place a totally different complexion on the same empirical trends in the occupational structure.

Economists have used the term "deindustrialization" in an analytical way in order to account for Britain's recent poor economic performance and especially slow economic growth. In contrast to postindustrial theorists, most economic theorists would argue that, first, it is the manufacturing sector that generates economic growth and supports the service sector; and second, that job losses in manufacturing are indicative not of rising productivity due to technological change and a consequent shift of employment to services, but of an absolute decline in manufacturing. However, the causes of such a process have been greatly disputed.[24]

In broad terms, disagreements revolve around whether deindustrialization is seen as a consequence of constraints

22. For more detail on economic policies and political problems in Britain in the 1970s, see James Alt, *The Politics of Economic Decline* (Cambridge: Cambridge University Press, 1978).

23. Bell, *Coming of Post-Industrial Society*.

24. For a general discussion on the phenomenon, see Frank Blackaby, ed., *Deindustrialisation* (London: Heinemann, 1979).

imposed by postwar growth in the state service sector—and, therefore, the result of sectoral employment trends within Britain; or whether it is a consequence of a manufacturing sector that is uncompetitive internationally so that insufficient manufactured goods are exported—and, therefore, the result of changing economic relations between Britain and other industrial and industrializing nations. A third explanation, which highlights the role of multinational corporations, is discussed later in this article.

The Bacon and Eltis thesis

The first of these views, that growth in employment in the nonmarket sector—and especially the public services—has actually caused the decline of manufacturing, is associated with the work of Bacon and Eltis.[25] This view, of course, reverses the causal chain proposed in postindustrial theory whereby increased productivity in manufacturing releases labor into the service sector. Bacon and Eltis argue that this productivity-labor relationship is far from true and that in actual fact the nonmarket sector has not only deprived the manufacturing industry of labor but crucially also of the finance necessary for investment. Instead of being reinvested, more and more profits are being paid out in taxes to support the nonmarket sector. Hence, in this view, the growth of services places severe constraints on economic growth.

Persuasive as this might sound to orthodox adherents of the market economy, this view has nevertheless been extensively criticized on a number of grounds, not the least of which is its apparent lack of applicability to industrial countries other than Britain. The same general trends have affected all the advanced industrial countries and are quite consistent with the postindustrial thesis of rising productivity and shifts in industrial structure. Yet, as we shall indicate, other industrial countries do not seem to have suffered the same consequences as Britain. In other words, most economists would not consider shifts in employment per se to indicate a specific trend to deindustrialization, and what evidence there is does not appear to support the view that such shifts result from the demands of the public sector of the economy.[26]

The Cambridge Economic Policy Group thesis

The second interpretation of deindustrialization referred to earlier is associated with the Cambridge Economic Policy Group (CEPG) and especially with the work of Singh.[27] According to this perspective, it is insufficient to seek to understand deindustrialization in Britain—or in any other nation—in purely internal, domestic terms. On the contrary, deindustrialization is an indicator of the poor performance of an economy vis-à-vis its competitors. Hence deindustrialization should be seen as a symptom of a country's declining share of manufacturing output in relation to that of other countries. Quite simply, in terms of the balance of manu-

25. Robert Bacon and Walter Eltis, *Britain's Economic Problems: Too Few Producers* (London: Macmillan, 1976).

26. See T. Sherif, *A Deindustrialised Britain*, Fabian Research Series, no. 341 (London: Fabian Society, 1979), pp. 5-7.

27. Ajit Singh, "UK Industry and the World Economy: A Case of Deindustrialisation?," *Cambridge Journal of Economics*, 1(2):113-36 (1977).

facturing trade, deindustrialization is what occurs when a country cannot pay its way. Insufficient exports are generated to pay for import requirements at socially acceptable levels of unemployment and exchange rates.

This view, too, has a large number of critics.[28] Britain is not by any means the only country constrained by balance of payments and unable to sustain sufficient exports to balance imports at levels of acceptable unemployment. The point is, rather, that Britain is the only country in this situation whose industrial sector has declined in absolute terms over the past 30 years. Indeed, what was a general but slow trend from 1950 to 1979 has become spectacular in the past four years, as we show in the next section.

DEINDUSTRIALIZATION AND ECONOMIC DECLINE IN THE UNITED KINGDOM

Undoubtedly the most dramatic and socially visible evidence of deindustrialization in Britain is in the rising tide of unemployment. So stark is the situation that it has led Thirlwall to talk of "the quite unambiguous and cause-free definition of deindustrialisation, namely the absolute loss of jobs in industrial activities and particularly in manufacturing industry."[29] From a peak in 1966, when the manufacturing industry employed 8.4 million workers, there has been a decline to a figure of 5.5 million in October 1983, representing a 34.5 percent fall in 17 years. This is unparalleled anywhere else in the world. Moreover, half of this fall has occurred since 1979, since when 1.5 million jobs have disappeared in manufacturing.

The main intermediate causal factors appear to have been a combination of the effects of the 1980 recession with the monetarist policies of the Conservative government. Until 1979 unemployment levels in Britain were similar to those of other advanced industrial countries. By 1981 Britain had the highest level of unemployment, the rate rising from 5.7 percent to 11.3 percent between 1979 and 1981, compared with rises from 5.7 to 7.5 percent in the United States, 5.9 to 7.6 percent in France, 2.1 to 2.2 percent in Japan, and 3.2 to 4.3 percent in Germany.[30] Unemployment in Britain has now risen beyond 13 percent. This, of course, refers only to those who have registered as unemployed, that is, about 3.2 million people. Estimates of the actual number of unemployed go as high as 5 million.

Within certain industries the decline has been especially dramatic. For example, employment in metal manufacture and in engineering has fallen by over a third in four years compared with the one-fifth decline in manufacturing overall. Even in the much vaunted service sector the situation is serious. While the sector has increased in size relatively, simply because of the sharp manufacturing decline, only one service industry—insurance, banking, and finance—has actually increased its work force, and that by less than 2 percent. Since 1979, employment in the public sector has fallen, especially in nationalized industries and local government,

28. See Blackaby, ed., *Deindustrialisation.*

29. A. P. Thirlwall, "Deindustrialisation in the United Kingdom," *Lloyds Bank Review*, Apr. 1982, pp. 22-37.

30. Nigel Harris, *Of Blood and Guns* (Harmondsworth: Penguin, 1983), p. 83, tab. 13.

again as a direct result of government economic policies.[31]

It is not surprising with such high rates of unemployment that even traditionally prosperous areas of Britain have been hard hit. Perhaps the most glaring example in this respect is the West Midlands, a regional economy that is based on vehicle building, engineering, and metal manufacture. From a rate of around 2 percent in 1974, unemployment rose to 5 percent in 1979, both figures being slightly less than the national average. By 1983 the rate was 17 percent, well ahead of the national average, and compared with April 1979, almost five times as many people had been unemployed for more than a year.

Not only do such figures indicate the scale of deindustrialization in employment terms, but they also cast doubt on the ability of service industries to mop up the unemployed from industry. In recent years the shift from manufacturing to services in terms of occupational structure is simply indicative of the faster rate at which industry, compared to services, has shed jobs—the fact is that half a million service jobs have also disappeared. Whatever this is evidence of, it would not appear to support the post-industrial society thesis.

Traumatic as unemployment is for those who are affected, it is only one indicator of deindustrialization. Equally worrying are other features of British economic performance. As recently as 1977 the balance of trade in terms of manufactured goods was £15 billion in surplus. By 1982 it had fallen to £233 million. Estimates for 1983 show that, for the first time in Britain's history, there is a deficit in terms of manufactures. Moreover, that deficit is expected to be around £5 billion, and officials are not pretending that this is a temporary hiccough. The chief economic adviser to the Treasury does not believe that the surplus on trade in manufactures will ever return.[32]

Of course, Britain's manufacturing industry has never been sufficiently in surplus to sustain the nation's trading position on its own. Invisible earnings from services have been relied on to fill the gap created by large imports of food and raw materials. Latterly oil has been equally important for Britain's overseas trading position. However, little comfort can be derived either from the trend of invisible earnings or from the North Sea oil's effects on the overall economy.

In some respects North Sea oil has hastened the decline of the manufacturing industry because of its distorting effect on the nondollar exchange rate. Between 1979 and 1981 the exchange rate showed a real rise of 41 percent and undoubtedly helped to destroy much of the manufacturing industry. Hence, in the future, services will have to carry an increasing burden in terms of Britain's balance of trade. With manufacturing now deemed to be in perpetual deficit and with North Sea oil about to reach peak production before falling into decline, can invisible earnings continue to fill the gap?

We have already seen that service industries are not filling the job gap, and the evidence is that invisible earnings from services will not fill the trade gap either. Despite the present government's

31. See H. Morrison, "Employment in the Public and Private Sectors," *Economic Trends* (England), Feb. 1983, pp. 82-89.

32. Victor Keegan, "Economics Notebook," *The Guardian*, 23 Jan. 1984.

somewhat sanguine view that service industries can be the engine of job and wealth creation in the future, recent trends are not favorable. Just as Britain's exports of manufactures have been rising more slowly than those of its major competitors—and, of course, much more slowly than the rate at which manufactures are being imported—so it is also with invisible earnings. Between 1970 and 1980 U.K. invisible earnings, at 1975 prices, rose by only 4 percent, compared with an average of 16 percent for its main competitors. Hence, in terms of the share of world trade in private transactions of invisibles, Britain fell to third place behind France and the United States with a decline from 9.6 to 8.5 percent between 1979 and 1981. This was actually a worse performance than that of the manufacturing industry for the same period.[33]

Hence, not only does Britain face a serious problem of import penetration but equally serious problems in terms of international competitiveness in invisibles. Even if Britain's share of invisible earnings worldwide could be increased, however, it is unlikely to make up for the consequences of deindustrialization, let alone the inevitable decline of North Sea oil wealth. In the meantime company liquidations have reached record levels—12,466 in England and Wales in 1983, which is 12 percent above the 1982 figures and 51 percent higher than in 1981.[34] This may all be evidence of some fundamental structural change in the British economy of the type envisaged by postindustrial theorists, but, if it is, where are the new and expanding industries? Where are the new jobs?

The fact is that investment and output are both below 1979 levels, and industrial training is at half the level it was then. Current high interest rates, recovery in the levels of corporate profits, and a credit-led consumer boom may have taken the *Financial Times* Index to record levels at the beginning of 1984, but the real economy looks extremely weak, and independent economic forecasters see no signs of recovery on the horizon. For example, Cambridge Econometrics bemoans the wasting of national assets and forecasts annual growth rates of less than 2 percent into the 1990s, along with 4.2 million unemployed by 1989; the National Institute of Economic and Social Research assumes a 1 percent growth rate to 1989 and 4 million plus unemployed by then. Meanwhile, the most accurate forecasting group on past evidence, the Cambridge Economic Policy Group, assumes growth rates between 1 and 2 percent and 5 million unemployed by 1992. In addition, CEPG estimates that, but for North Sea oil, income tax would already be 43 percent—currently, it is 30 percent—and unemployment would now be 5 million.[35]

These estimates should not be surprising, given that manufacturing output and investment are at the same levels in 1984 as they were in 1968. Small wonder the number of firms with names known worldwide that have gone out of business, such as Upper Clyde Shipbuilders, Alfred Herbert (manufacturer

33. Ibid.

34. "1983 Was Worst Year Yet for Business Failure," *The Guardian*, 3 Jan. 1984; this is a news item reporting the findings of the business information company, Dun and Bradstreet.

35. Information extracted from various press reports, Jan. 1984.

of machine tools), Foden (heavy goods vehicles), Norton-Villiers-Triumph (motorcycles), and Fairey Engineering and Dunbee-Combrex-Marx (toys).

EXPLAINING THE BRITISH SITUATION

We observed earlier that neither of the theories of deindustrialization discussed seem to account for Britain's economic problems. While we find the CEPG explanation more convincing, the empirical evidence in support of it is somewhat ambivalent. Beyond this, however, lies the question of whether or not deindustrialization is sufficient to explain very much at all. As Murgatroyd and Urry have recently observed,

> to say that a local, regional or national economy has been "de-industrialised" is . . . merely a way of *describing* certain shifts in the structure of employment—it does not provide any kind of explanation. Hence, although Britain has experienced "de-industrialisation" in recent years, this in fact results from highly diverse processes, affecting different localities in different ways depending on their location within pre-existing and new forms of the spatial division of labour.[36]

These authors review such processes over a 30-year period in one locality, but their work closely follows research done at a macro level by Fothergill and Gudgin and by Massey and Meegan. In this section we review some of this research.

Fothergill and Gudgin examined the pattern of change in the location of manufacturing employment in the United Kingdom between 1959 and 1975.[37] They note that the greatest decreases in manufacturing employment have occurred in the most urban areas and especially in the larger cities, while small towns and rural areas have actually increased their manufacturing employment. Given this pattern, differences within regions were greater than differences between regions. The explanation they put forward for this pattern is based upon economic geography: essentially a theory of differential locational advantage. Companies in city locations find that their constrained locations do not allow them to expand their factory space, whereas in rural areas, jobs are created in new factories and factory extensions since space constraints are not a problem. However, their emphasis on purely spatial factors has been subject to considerable criticism.

Massey and Meegan in their study of job losses, for example, offer a much broader explanation.[38] In their view, some jobs disappear, as postindustrial theorists predicted they would, because of increasing productivity. Other jobs disappear because of plant closures brought about by a lack of competitiveness, a point made by the CEPG. However, there is a third factor, which we have not previously discussed but which is of increasing importance. Some jobs disappear because of international restructuring of capital and changes in the international division of labor as large

36. Linda Murgatroyd and John Urry, "The Class and Gender Restructuring of the Lancaster Economy, 1950-1980," *Localities, Class, and Gender*, ed. Linda Murgatroyd et al. (London: Pion Books, 1984); see also John Urry, "Deindustrialisation, Classes, and Politics," in *Capital and Politics*, ed. Roger King (London: Routledge & Kegan Paul, 1983).

37. S. Fothergill and G. Gudgin, "Regional Employment Change: A Subregional Explanation," *Progress and Planning*, 2(2):155-200 (1979); idem, *Unequal Growth: Urban and Regional Employment Change in the United Kingdom* (London: Heinemann, 1982).

38. Doreen Massey and Richard Meegan, *The Anatomy of Job Loss* (London: Methuen, 1982).

multinational corporations transfer their labor-intensive stages of production abroad. In due course domestic companies can be put out of business by the resulting cheap imports of capital and manufactured goods from developing countries. One obvious example of importance to Britain is shipbuilding, which is facing severe competition from countries such as South Korea.

More generally, research has shown that upwards of 40 percent of world trade takes place within multinational companies whose activities remain largely out of the control of nation-states. Hence, for example, while British-based multinationals were reducing their domestic work forces by almost half a million between 1978 and 1982, the numbers they employed overseas increased by 40,000. The electrical and electronics sector, the type of high-technology industry that might provide hope for the future of the British economy, lost 42,000 British-based jobs in that period, while taking on 32,600 workers overseas. In output terms, the overseas production of British-based multinationals increased from 36 to 44 percent of total output between 1980 and 1982, while unemployment in the United Kingdom was doubling.[39]

Hence deindustrialization in Britain is not only a matter of lack of competitiveness. It is also due to marked changes in the international division of labor. While this affects all the advanced capitalist countries, it does not do so in exactly equivalent ways. Much depends upon the extent of a country's international openness and competitiveness. In the stronger national economies such international restructuring may be allowing increased manufacturing productivity to offset reduced manufacturing employment while also allowing increased expansion of the service sector. However, in the weaker industrial economy of Britain, the result is deindustrialization in the sense of an absolute decline in manufacturing employment. This makes continuing expansion of the service sector, and especially of public services, problematic. Indeed only increased taxation will make continued expansion of public services possible as long as deindustrialization continues.

THE SOCIAL CONSEQUENCES OF DEINDUSTRIALIZATION

What we have said so far about the experience of economic restructuring in Britain is certainly far removed from the vision of a postindustrial society. Yet, despite the fears of those who believed that the social fabric could not withstand unemployment at over 1 million—let alone its present 3 million plus—Britain has so far not exhibited any serious overt fissiparous social tendencies. Indeed, far from it: the government that presided over the deindustrialization of the past four years was reelected with a massive parliamentary majority. How can this be explained?

It is precisely to try and understand how people respond to prolonged economic recession and how recession shapes social structure, social action, and social consciousness that we have recently embarked on a major study of

39. See "Multinationals: Better at Exporting Jobs than Goods," *Labour Research*, 72(4):97-99 (1983) and "Unemployment, Multi-nationals and Manufacturing Employment," *Labour Research*, 72(5):123-25 (1983).

the phenomenon.[40] For the present, therefore, we can make only tentative points about the social consequences of deindustrialization insofar as they involve social consciousness and social action.

We can be rather more certain of the objective features of the problem—high levels of unemployment, which we have mentioned already, and a greater incidence of poverty as a concomitant of it are two that immediately spring to mind. However, we must also remember that for many the experience of the recession so far has been rising living standards. In this sense the recession presents sociologists with a paradox: Britain is on the one hand currently in the middle of a credit-led consumer boom; and on the other hand the latest Family Expenditure Survey shows 15 million people—well over a quarter of the population—living on the margins of poverty, compared with 11.5 million in 1979.[41] Many of these people are wholly or mainly dependent on the state for their income, because they either are retired or cannot obtain work. A more recent survey conducted by MORI for a commercial television company estimates that 7.5 million people are living not on the margins of, but actually in, intense poverty.[42]

Poverty, unemployment, and living standards

For this latter survey poverty was measured not according to absolute income but in social terms, or more sociologically in terms of the social aspects of what T. H. Marshall called citizenship—"the right to live the life of a civilised being according to the standards prevailing in the society."[43] Hence poverty was measured against what people themselves defined as essential to a reasonable standard of living. Items that a generation ago would have been regarded as luxuries—such as holidays and television sets—are now seen by most people to be necessities.

An equally interesting aspect of this survey was the number of people who said they would accept increases in income tax in order to allow the poor to have a better life. Three-quarters of the sample would accept a 1 percent rise in income tax; and over a third, a 5 percent rise for this purpose. Among Conservative voters 79 percent supported a 1 percent rise. Moreover, one-third of the sample expressed the view that people were in need because of too much social injustice in Britain; less than a quarter saw need as arising from laziness, and exactly one-quarter saw it as an inevitable feature of modern society. We will return to a discussion of these findings, but first we wish to examine poll findings on unemployment and further recent reports on living standards under the present government.

It is a remarkable fact that a government that has presided over unprecedently high postwar levels of unemployment, the responsibility for a large part of which most economists would put at the door of government policies,

40. Our study is financed by the Economic and Social Research Council, whose support we here gratefully acknowledge.

41. As reported in *The Guardian*, 1 Nov. 1983.

42. "Living in Britain," MORI poll for London Weekend Television; digest of results is available from London Weekend Television.

43. T. H. Marshall, "Citizenship and Social Class," in *Class, Citizenship, and Social Development*, T. H. Marshall (New York: Doubleday, 1964), p. 72.

was nevertheless reelected with the largest parliamentary majority since 1945. Is this because unemployment is somehow not seen as a major issue? The poll findings here are extremely interesting.[44]

First, ever since the mid-1970s most people have nominated unemployment as among the most salient political issues. During the 1979-83 Parliament, unemployment overtook inflation as the issue that most people nominated as most serious. Polls have consistently shown an appreciation of both the level of unemployment and expectations that it would continue to rise. People seem to be generally more informed about unemployment than about most other political and social issues, and an average of around 25 percent of respondents in most polls claim to have direct or indirect experience of it. Prima facie this should have spelled trouble for the party in power. However, when the poll findings are examined in more detail, the reasons the level of unemployment did not rebound on the government begin to emerge.

Even during the last Labour government's period of office there was much more unanimity over the problem of unemployment than over its causes. In the mid-1970s people were equally likely to nominate world economic conditions, the government, the trade unions, or individual fecklessness as causal factors. However, more recent polls conducted around the time of the 1983 general election show *inter alia* that most people—around 70 percent—do not see unemployment as a problem unique to Britain. Around one-third think it will take longer than 5 years to bring unemployment back to its 1980 level of 1.3 million people, and over a fifth think it will never return to that level.[45] In a postelection survey, 72 percent of respondents nominated unemployment as one of the two most important issues affecting their vote—defense, chosen by 30 percent, was the next most important. However, people were by and large not convinced that the opposition parties had any more of an answer to the problem of unemployment than the government, while on most other issues government policies were preferred. It is perhaps most significant that, while so many people were prepared to nominate, unprompted, unemployment as the main issue, when asked which issue was most salient to them as individuals, most people were less concerned with unemployment.[46] It would appear that altruism, in the form of concern for the unemployed, gives way to egoism in the final analysis.

Evidence on living standards during the recession is also mixed. There is undoubtedly prima facie evidence of real rises in living standards during the recession for those who have remained

44. The discussion that follows owes much to the work of Catherine Hakim; see her article, "The Social Consequences of High Unemployment," *Journal of Social Policy*, 11(4):433-67 (1982). For further recent discussions of unemployment in Britain, see Adrian Sinfield, *What Unemployment Means* (Oxford: Martin Robertson, 1981); Brian Showler and Adrian Sinfield, eds., *The Workless State* (Oxford: Martin Robertson, 1981).

45. Figures extracted from *The Guardian*—Marplan Index, published monthly in *The Guardian*.

46. Ivor Crewe, "The Disturbing Truth behind Labour's Rout," *The Guardian*, 13 June 1983; idem, "How Labour Was Trounced All Round," *The Guardian*, 14 June 1983. These articles constitute a report on a BBC-sponsored survey by Gallup on the 1983 general election.

in work. For example, the annual official review of life in Britain, *Social Trends*, shows *inter alia* that while the distribution of income became less equal in the 1970s—even after taking into account taxes and welfare payments—the distribution of wealth nevertheless became more equal, largely because of improved pension rights. In terms of consumption, standards of housing are shown to have improved in the 1970s, and nearly every household now has consumer durables such as televisions, vacuum cleaners, and refrigerators. Moreover, a greater proportion of households in Britain than in any other country has home computers and videorecorders.

Similarly, official figures on real earnings seem to show a continued upward trend even in the last four years. Pay rises have generally kept ahead of price rises so that official figures show that a family of four in receipt of average earnings has experienced a 6 percent increase in living standards since 1979. On the other hand, those with five times the average income have seen a 22 percent rise in their living standards, and those with 10 times the average income, a 54 percent rise. As we noted earlier, the distribution of income has become more unequal even as general living standards have risen. The lowest paid have barely kept ahead of price rises. The basic structure of inequality and the general quality of life for British people can hardly be said to have been altered in any progressive way since 1979, when viewed objectively.

Nevertheless, sociologists may be guilty of not having taken sufficiently seriously the implications of rising living standards and changed patterns of consumption for the way in which people interpret their individual situations. People's perceptions of their increased prosperity could well be more important to how they act and think than the fact that society as a whole has become no more equal. Sociologists have generally been too keen to consider people's objective social and economic positions as being the prime determinant of how they think about society and what are likely to be their interests in social, economic, and political terms. Yet there are many factors that can intervene between a person's objective position and subjective evaluations and actions. Such empirical and theoretical problems are at the forefront of our research concerns, and we hope the data we collect will cast some light on these issues. We can, however, make some general observations.

SOCIOLOGY AND CONSUMERISM

All major European theories of social class have tended not only to see class as expressive of social relationships at the point of production but also to stress paid labor as the most salient and significant determinant of people's lives. In other words, class is not simply about an objective socioeconomic position but also a crucial form of experience. Put crudely, a person's occupation is perceived to give that individual a basic social identity, image of society, political ideology, and set of interests.

On the other hand, as Moorhouse has recently and persuasively argued, the sphere of consumption has not been seen as central to the problem of the meanings people place on the social world.[47] What Moorhouse suggests—and we would agree with him—is that

47. H. F. Moorhouse, "American Automobiles and Workers' Dreams," *Sociological Review*, 31(3):403-26 (1983).

rising living standards have reduced the coherence of people's experience of society as a class society and have emphasized, in its place, individualism. As he puts it,

> the crucial effect of "affluence" in post-war capitalism has surely been to justify the ideology and allow the practice of individualism and to link the acquisition and use of consumer goods to values which emphasize the importance of the search for personal identity and authenticity.[48]

We would take this point further by linking what Moorhouse says to the rise of citizenship in postwar Britain. As Marshall observed over 30 years ago, the social rights of citizenship in terms of the welfare state are preeminently concerned with individualism, too.[49] The sovereignty of the individual as both consumer and citizen, therefore, suggests theoretically that sociologists should take the concept of social status much more seriously than has been their recent tendency.

Like class, the concept of social status draws attention to differences in social power and advantage. Class, however, is concerned with the economic aspects of power and advantage, for example, the distribution of property ownership or the possession of marketable skills. Hence an individual's class position will depend greatly upon his or her market situation.

Status, on the one hand, is concerned with how people are placed in what one might call the moral order of society. Status is evaluative. It has a symbolic basis, and it is generally associated with life-style, that is, with what different groups consume and with how they consume. Because the capitalist market has no moral dimension, sociologists have often seen the importance of the status order as that of legitimatizing the structure of power and advantage created at the point of production and expressed and realized in the market. In other words, status has been seen in modern societies as an emergent property of the class structure, as therefore a kind of surrogate relationship, and as consequently possessing a diminishing separate analytical utility.

We would wish to take exception to such a view. Put very baldly, our argument is that certain patterns of consumption and styles of life that used to be the prerogative of the few have now become relatively commonplace. Underpinning such patterns of consumption for most people is the modern version of social status in terms of social prerogative—the legal right to something—namely, citizenship.

Citizenship is about equality, and it reinforces the appearance of a more equal status order in terms of life-styles and patterns of consumption. Just as the status order of the nineteenth and early twentieth centuries served to legitimate and gain social acceptance for inequalities that arose in the marketplace, so in the late twentieth century it serves to lend an air of equality to what remains an unequal—but now modified—market system. Citizenship hinders the carrying-through of market principles; for example, a citizen has a right to health care regardless of any ability to pay. In such areas of life we are—apparently—all now equal.

By the same token, the fact that the majority of people now routinely con-

48. Ibid., p. 420.

49. Marshall, *Class, Citizenship, and Social Development.*

sume what a generation ago was limited to the wealthy—houses and the range of consumer durables on offer—takes the sharpest edges off other of the most visible aspects of inequality in the marketplace. The status order has come to emphasize not what is regarded as socially superior or inferior, but what is commonly valued as everyone's right by virtue of being citizen and consumer.

All of the foregoing has great importance for our arguments at the conclusion of this article. At this point, however, it is important to state that nothing we have said should be interpreted as meaning that we subscribe to some kind of end-of-ideology thesis. We are here discussing the appearances of society, not the underlying realities.

To summarize our argument regarding class and status we wish to recognize the relative autonomy of the concept of status from that of class because we believe that by so doing we can separate out some of the more interesting dynamics of British society for analysis. Our colleague David Lockwood in a paper critical of recent Marxist theories of class makes just such a point about the importance of the status order of advanced capitalist societies;[50] Moorhouse, too, emphasizes the status order when he says

> that modern society can be conceptualised as consisting of a host of separate status structures . . . and one's standing in one of these structures is relatively indirectly linked to one's standing in another. There is indeed a relative autonomy of leisure from paid labour and it is arguable that it is just in this autonomy that social meaning is found and identity fashioned.[51]

SOCIAL IDENTITIES AND POLITICAL INTERESTS

One feature of consumption that has been cited as fundamentally important to people's identities and conceptions of interest is home ownership. In 1950, 29.5 percent of homes were owner occupied; by 1960 the figure had risen to 40 percent; in 1970 it was 50 percent and in 1981, 58 percent. Recent growth in owner occupation is most noticeable among the skilled working class, although the policy of the present government, which requires local authorities to sell public housing to tenants, has had marked effects on the proportion of unskilled workers who are now owner-occupiers.

For most working-class owner-occupiers, home ownership cannot but be experienced as a real advance compared with their parents' generation. Moreover, there is evidence that such an experience can affect voting behavior. For example, 59 percent of former Labour voters who bought their council house switched to the Conservative party in the 1983 general election.[52] Such evidence of the effects of consumption on people's perception of their political interest and their identity is impressive and, in this example of the sale of public housing to tenants, would lend support to our arguments concerning the modern status order.

The theoretical implications for sociology of such evidence have been taken

50. David Lockwood, "The Weakest Link in the Chain," in *Research in the Sociology of Work*, ed. Ida Harper Simpson and Richard L. Simpson, vol 1 (Greenwich, CT: JAI Press, 1981).

51. Moorhouse, "American Automobiles and Workers' Dreams," p. 409.

52. Crewe, "Disturbing Truth."

further by Goldthorpe.[53] The implications of electoral volatility; so-called dealignment—the defection from the parties, and especially the Labour party, of traditional supporters; and general depoliticization discovered by recent studies of voting behavior have led him to reexamine the relationship between a person's objective social position and conceptions of interest.[54] Like Moorhouse and us, Goldthorpe wishes to see an end to the postulated relationship of determination between a person's objective position in the social structure—especially class position—and that person's individual interests.

Rather, structural location should be seen as creating sets of potential interests that are dependent for their realization on people's social identities, that is, how they see and define themselves in relation to other individuals and groups. Some identities may be more enduring than others; some may only come to the surface given particular contexts of experience. However, structural location will act as a limiting condition of the collective identities people can take on, even though it can never wholly determine them. Moreover, as we saw in the example of public housing sales, identities are not necessarily fixed but can be manipulated by political parties or altered by a person's changed social circumstances. In the latter case, a person's identity might change as a result of, say, a promotion or redundancy. Whatever the case, it becomes important for sociologists to investigate identities as mediators among social structure, social consciousness, and social action and to recognize that identities do not arise from paid work alone.

Returning to our main theme of economic restructuring and especially the effects of recession on this, we must also recognize that the impact of recession will not be experienced equally by individuals who occupy the same structural location. While it is undoubtedly the case that it is the working class—as objectively defined—that shoulders the greatest burden of unemployment, we have seen already that most workers who have retained their jobs have also experienced marginally rising living standards. Moreover, possession of certain resources can cushion the effects of the recession. For example, a not unimportant factor that lies behind the recent consumer boom is the use of finance nominally raised for home improvements, via mortgage extensions, to be spent on consumer goods. The Bank of England estimates that, in the first half of 1983, 47 percent of mortgage finance was not spent on housing. In cash terms this amounts to £7 billion a year.[55]

A further implication of the more flexible theoretical model we are advocating requires a recognition of the ways in which individuals increasingly insulate themselves from the macro-institutions of society. We have discussed some aspects of this in greater detail elsewhere via an analysis of the concept of "privatization," and so our comments here will be abbreviated.[56]

53. John H. Goldthorpe, "Social Structure, Interests, and Political Partisanship," mimeographed (Oxford: Nuffield College, 1983).

54. See Bo Sarlvik and Ivor Crewe, *Decades of Dealignment* (Cambridge: Cambridge University Press, 1983); see also Alt, *Politics of Economic Decline.*

55. See *Bank of England Quarterly Bulletin*, 23(3):333 (Sept. 1983).

56. See Howard Newby et al., "From Class Structure to Class Action: British Working Class

There is evidence that people are in varying proportions cynical, fatalistic, and realistic when it comes to an understanding of the sociopolitical system and their place within it. Indeed it is very hard to separate these three features from one another. The kind of realism we mean is well expressed by Pahl and Wallace in their intensive empirical study of a local labor market.[57] As they observe,

> there is very little that ordinary people can do about their position in the local labour market [and so] a sound, pragmatic strategy for such people, concerned to get by as comfortably as possible, is to put their resources of time, energy and skill into making their domestic world more secure. At least in that sphere they have more control.[58]

Our own recent pre-survey studies with groups and individuals confirm these findings. Society is experienced as it in fact is: complex and beyond individual control. Hence a recent poll finding that while 68 percent of people expected their own futures to be determined by themselves, 60 percent thought Britain would have less control over its national destiny.[59]

In the same poll, however, we see realism where it begins to shade into fatalism. No less than 70 percent agreed that "the future is so uncertain that the best thing to do is to take each day as it comes."[60] Similarly, Richard Rose, in a commentary on poll findings, discusses evidence that suggests that people adjust their expectations to the changes in economic conditions over which they have no control.[61] Is the following evidence of realism or fatalism? Between 1957 and 1965

> more Britons thought the coming year would be better rather than worse. . . . Since 1966, when it became evident that changing the party in power could not rid the country of most of its problems—more Britons have normally expected next year to be worse rather than better.[62]

Evidence of cynicism comes from sources such as Alt's review of political aspects of economic decline.[63] Here, in fact, we see how realism shades into cynicism. Alt shows how much importance people attach to economic problems and how, during the 1970s, they clearly perceived the developments taking place in the economy. This led first to realism: people ceased to expect their party to make them better off, because they ceased to expect it to be able to solve the economic problems Britain faced. However, this did not lead to a politics of protest but to one of disillusion. The most important feature of this was cynicism in the sense of a lack of involvement or indifference to organized party politics and a marked decline in support for altruistic social policies.

Such findings were recently confirmed by qualitative research conducted on behalf of the National Association of Local Government Officers. No evidence was found of widespread hostility or resentment toward public spending

Politics in the 1980s," mimeographed (Colchester: University of Essex, 1983).

57. Ray Pahl and Claire Wallace, "Household Work Strategies in Economic Recession," *Household Work Strategies Report No 4* (Canterbury: University of Kent, 1983).

58. Ibid., pp. 41-42.

59. Paul Barker, "Whistling in the Dark," *New Society*, 29 Nov. 1979, p. 481.

60. Ibid.

61. Richard Rose, "Who Can't Get No Satisfaction?," *New Society*, 7 Aug. 1980, pp. 265-66.

62. Ibid., p. 266.

63. Alt, *Politics of Economic Decline*.

cuts. On the contrary they tended to be seen

> as the inevitable result of selfishness and a declining economy. . . . As the recession bit so did opposition to the public sector. The general political mood is . . . gloomy, despondent, fatalistic and cynical. . . . The state of the nation is accepted with resignation and seen as an inevitability about which little can or could have been done. . . . People feel that unemployment, cuts and a lower standard of living are no one's responsibility in particular [which] in turn leads to a feeling of hopelessness . . . that we are now a poorer nation and will have to live with it.[64]

CONCLUSION

We wish to draw two tentative conclusions to this article, the first a sociological one and the second a political one. Whatever kind of society Britain now is, it cannot be described in the optimistic tones of postindustrial theory. As Miller commented, "the post-industrial society was a period of two or three years in the mid-sixties when GNP, social policy programs, and social research and universities were flourishing. Things have certainly changed."[65] Nevertheless, while it is comparatively easy to refute that particular view of society and social change, it is not easy to erect a satisfactory alternative sociological explanation of current trends in British society.

While sociologists can demonstrate at the macro or objective level the existence of a relatively rigid class structure and the consequences this has for the life chances of individuals differentially placed in that structure, they have been far less successful at relating that structure to social consciousness and action. We know we cannot read off consciousness and action from social structure and we also know that the structure has real consequences for the individuals who constitute it. However, this gives us no warrant to suppose that any consequences necessarily follow in terms of how those individuals view society, think and act politically, and so on. People live out their lives in a micro-world and "generalise their view of the life they lead from face-to-face relations and experiences, not from the impersonal activities of the major institutions of society."[66] It may be that part of the object of that micro-world is to shut out the macro-world for most purposes beyond the troublesome process of making a living.

None of this need lead us, however, to abandon our sociological faith by rejecting the possibility of making any sensible link between social structure and social action. On the contrary, we need to investigate in much greater depth the processes that mediate between the two. It is one thing to recogize that structure does not determine action, but it would be wholly wrong to believe it does not condition action. We have already suggested that one important mediating process is the development, maintenance, and disruption of collective identities and the way in which these can be manipulated by political parties. This leads us to our second conclusion and brings us full circle to Britain's economic decline.

Casual observations suggest, and voting behavior studies confirm, that the Thatcher government has been

64. See report in *The Guardian*, 25 Mar. 1983.

65. S. Miller, "Notes on Neo-capitalism," *Theory and Society*, 2(1):28 (1975).

66. Rose, "Who Can't Get No Satisfaction?," p. 265.

extremely successful at manipulating collective identities to the extent that it has made the policies of the Labour party appear irrelevant to Britain's problems. The 1983 general election did not so much confirm the popularity of the government as the unpopularity of the Labour party.

Nevertheless, the fact remains that Britain's economic decline has been exacerbated by the particular policies pursued by the present government and that, sociologically, those policies can be seen as a reversal of the postwar relationship between citizenship and social class.[67] In other words, whereas previous governments of both parties pursued policies via a mixed economy that emphasized citizenship and social status over social class—that is, interventionism rather than the rule of market forces—the Thatcher government is attempting to reverse that process by reasserting the market and, therefore, reasserting social class over intervention and, therefore, citizenship/-status. In this sense citizenship, whether in terms of the rights of trade unions or the continued expansion of the welfare state, is seen as the enemy of economic policy in the form of a cost that a deindustrializing economy can no longer stand.

Such policies as the present government is pursuing, however, may rebound on it. If the equalities that we discussed in relation to status/citizenship have become part of people's expectations, the more the government eats into them, the greater the chance of eventual popular reaction against it. By our argument previously, of course, this will ultimately depend on the importance of citizenship to social identity. In the words of Goldthorpe,

> the implications of the growth of citizenship for the legitimation of class inequalities are, as Marshall recognised, double-edged. While the possibility is created of legitimation in terms of meritocracy, the threat also rises that with the realisation of citizenship, the contrast between the principled equality of rights that it bestows and the unprincipled equalities thrown up by the market will be highlighted, and that the latter will thus be called increasingly into question.[68]

So far the government has carried the day, but, if our analysis is correct, one of the main reasons it has done so is because, for most people, the benefits of citizenship and the maintenance of at least basic living standards still outweigh the extent to which market forces and, therefore, class-based inequalities have been reimposed. Consequently the future, as always, is open, and Marshall's war between citizenship and social class continues.[69]

67. Marshall, "Citizenship and Social Class."

68. John H. Goldthorpe, "The Current Inflation: Towards a Sociological Account," in *The Political Economy of Inflation*, ed. Fred Hirsch and John. H. Goldthorpe (Oxford: Martin Robertson, 1978), p. 202.

69. David Lockwood, "For T. H. Marshall," *Sociology*, 8:367 (1974).

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Ford and the UAW Have a Better Idea: A Joint Labor-Management Approach to Plant Closings and Worker Retraining

By GARY B. HANSEN

ABSTRACT: Responding to the severe recession in the U.S. automobile industry in the late 1970s, Ford Motor Company and the United Automobile Workers negotiated, as part of their 1982 national agreement, innovative provisions to deal with the problems faced by redundant workers. This article outlines the basic components of the UAW-Ford model for plant closings and describes the implementation of the model at a San Jose site. The UAW-Ford approach is an example of best practice in the area of joint labor-management cooperation when dealing with the human resource problems of a plant closure. Among the lessons learned from the San Jose experience are the value of early advance notice; the importance of an external catalyst and source of technical assistance in getting the program under way and moving in the right direction; the necessity of good union and management leadership; the importance of on-site delivery of services to the displaced workers; the importance of frequent communication with the workers; the value of having a flexible, readily available resource base to underpin the readjustment program; and the employer's sense of responsibility in discharging obligations to the dislocated work force.

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FEW industries in America have been affected more dramatically by domestic and international events of the past decade than the automobile industry. In this industry plant shutdowns and the accompanying dislocation of workers have created severe problems for individuals, families, and communities throughout the nation.

This article focuses on the cooperative approaches developed by Ford and the UAW to ameliorate the effects of the San Jose, California, Assembly Plant closure and the lessons that can be learned from that experience. Other articles in this volume deal with the questions of finding ways to prevent plant closings and other dimensions of the problem.

HISTORICAL AND ECONOMIC PERSPECTIVE

In the early 1950s the Ford Motor Company constructed an auto assembly plant several miles northeast of San Jose, California, to build cars and trucks for the burgeoning population in California and other western states. The viability of the San Jose plant became a concern when buyers' preferences shifted toward smaller, more fuel-efficient cars in the late 1970s. Following the oil crisis of 1973-74, changing preferences, the availability of Japanese imports to meet the demand, and the deteriorating health of the domestic economy dealt a crushing blow to the U.S. auto industry. Auto production in the United States declined precipitously from 9 million vehicles in 1978 to 6.5 million in 1980. The decline in demand for full-size automobiles caused Ford, and the other U.S. automakers, to take drastic measures.

Ford invested heavily to redesign its line of cars to meet the foreign import challenges and introduce its new, smaller, front-wheel-drive world car, the Escort, in 1980. The Escort, well designed and fuel thrifty, caught hold and soon became one of the best-selling cars in the world. To meet the demand Ford decided to remodel the auto line at San Jose to build the smaller cars for the California market.

The San Jose auto line began producing the new Escorts and Lynxes on 4 September 1981. Amid the fanfare of bands, Ford president Donald Petersen and California governor Jerry Brown drove the first completed vehicle off the assembly line. Everyone present was optimistic, some even euphoric, over the prospects of the new cars and what they would mean to the South Bay area, California, Ford, and America. As one television newscaster recording the event said, "In just six months there has been a renaissance in the thinking of every Ford employee." Another television reporter said he was "amazed with the new feeling of cooperation exhibited by management and the workers. This is something I haven't seen in years." Paul Staley, the San Jose plant manager, expressed the feelings and hopes of everyone when he proclaimed, "I think... the plant will be here in California forever."[1]

The dramatic changes in the attitude of the Ford workers and in the relationship between management and the workers at San Jose, which were observed by outsiders at the time of the launching of the Escort in 1981 and which contributed to the optimism over the future of the plant, did not occur in a vacuum. Something had indeed happened at Ford and at the San Jose

1. Videotape of television news stories about the San Jose Assembly Plant, July 1981 to May 1983, Ford Motor Company, Milpitas, CA.

Assembly Plant to create a new, more cooperative climate among workers, their supervisors, and in the labor-management relations between the plant management and the leadership of United Automobile Workers (UAW) Local 560, representing the workers. That something was employee involvement.

THE FORD-UAW EMPLOYEE INVOLVEMENT PROGRAM

In the midst of the worsening depression for the auto industry in 1979, Sidney F. McKenna and Ken Bannon, negotiators for Ford and the UAW, announced on 4 October 1979 the signing of a letter of understanding that established employee involvement as a new philosophy in the relationship between the two parties. While there had been numerous examples of cooperation over the years, the 1979 agreement represented a quantum leap in the UAW-Ford relationship. Employee involvement—or EI, as it came to be known—rested on the principle that

> people have more to offer than the strength of their bodies—that when given the opportunity, the time and the training, they can and will contribute mightily in terms of positive ideas that solve work-related problems, improve the work environment, and enhance work relationships.[2]

The 1979 letter of understanding called for the organization of a National Joint Committee on Employee Involvement to direct the implementation of the new EI program. The committee held meetings and wrote letters to plant industrial relations managers and local UAW officials informing them of the objectives of the EI program. After preliminary efforts were made to start EI programs in a number of locations, the national committee was reorganized and a new set of common guidelines was prepared in November 1980.[3]

The signing of the 1979 letter of understanding on employee involvement coincided with the arrival of a new plant manager at the San Jose Assembly Plant. When he arrived, management and union relations were strained, workers' attitudes were poor, and there were numerous quality and other production problems. Under his leadership a careful and deliberate program to prepare the management team and work force for the introduction of EI was undertaken. During the next year a new style of management was introduced and production problems were ameliorated. In the second year, plant supervisors and management received formal training. Then the union joined in as a full partner, and a joint local steering committee was established to oversee and direct the process. Voluntary EI problem-solving groups were organized and set in motion coincident with the introduction of the Escort at the San Jose plant in September 1981. By the time the plant closure was announced in November 1982, the San Jose Assembly Plant had moved from the bottom to the top of the charts in comparative measures of production and quality maintained by the Ford Automotive Assembly Division.

2. "Statement of Ernest J. Savoie, Director, Labor Relations Planning and Employment Office, Labor Relations Staff, Ford Motor Company, before the Joint Economic Committee, U.S. Congress, September 23, 1983" (Unpublished manuscript, Ford Motor Company, n.d.), p. 2.

3. "Guidelines for Implementing UAW-Ford Employe Involvement Programs" (Dearborn, MI: UAW-Ford National Joint Committee on Employe Involvement, n.d.).

Employee involvement is not enough

Unfortunately, the positive changes in management and worker attitudes and behavior that occurred after the implementation of the EI provisions of the 1979 national agreement were not sufficient to prevent the final closure of the plant in May 1983.

Ford's financial hemorrhaging continued into 1981 without letup and dangerously reduced its working capital. The company's U.S. market share reached a low of 16.6 percent, compared to 24 percent in 1978. Dividends were cut in 1981 and were eliminated entirely in 1982. Additional drastic cuts had to be made, and plants and operations were examined closely to see where substantial savings could be effected. Consolidating operations and closing facilities were among the options considered.[4]

THE 1982 COLLECTIVE BARGAINING AGREEMENT

At the national level the UAW-Ford relationship took on a new dimension as a result of the 1982 round of collective bargaining. In addition to the letter of understanding signed in February 1982, which continued and expanded the EI process, the 1982 UAW-Ford negotiations also launched a labor-management consultative approach called mutual growth forums, introduced profit sharing, created a jointly administered employee development and training program (EDTP), provided improved income security for laid-off employees, and established provisions to deal with plant closings.[5]

Employee development and training program

The UAW-Ford EDTP is, in the words of the joint governing body set up to run it,

> a venture to be revolutionary in scope, dynamic in character, responsive to the personal and career needs of UAW-represented hourly employes of Ford Motor Company and beneficial to the mutual goals of greater job security and increased competitiveness.[6]

The principal objectives of the new program are the following:

- Provide individual and group training, retraining and developmental opportunities to enhance the dignity and on-the-job skills and abilities of employes which can lead to greater job security and personal development.
- Seek ways of arranging (and, in some cases, providing) for training, retraining and development assistance for employes displaced by new technol-

4. John R. Dorfman, "Make or Break," *Forbes*, pp. 98-102 (25 Apr. 1983).

5. "Letter of Understanding, Ernest J. Savoie to Donald F. Ephlin, 13 Feb. 1982" in *Letters of Understanding between UAW and the Ford Motor Company (Covering Agreements Dated February 13, 1982)* (Dearborn, MI: UAW-Ford National Development and Training Center, n.d.), pp. 45-49.

6. *1982 UAW-Ford Documents Establishing the UAW-Ford Employe Development and Training Program and Its National Development and Training Center* (Dearborn, MI: UAW-Ford National Development and Training Center, Sept. 1982), p. 1.

ogies, new production techniques and shifts in customer product preference. Similar efforts would be undertaken for employes displaced as a result of facility closings or discontinuances of operations.

— Energize, sustain and support local and national Employe Involvement efforts under the UAW-Ford Employe Involvement Process. Provide research and studies in new techniques and methods to further Employe Involvement and other cooperative efforts between the Company and the UAW.

— Provide opportunities for the exchange of ideas and innovations with respect to employe development and training needs within the framework of job requirements and union/management relations.[7]

In order to carry out the objectives of the new program the 1982 letter of understanding specified that a UAW-Ford National Development and Training Center (NDTC) would be established as a separate and distinct entity "to provide a focal point for the parties' efforts." The center would be under the general direction and guidance of the joint governing body, consisting of an equal number of representatives of the company and the UAW, and would "make available a wide range of educational, training, and retraining services and activities to the local parties for their utilization based on their specific needs."[8]

Resources to finance the NDTC and the various programs that would be created under its auspices were to be provided by a $.05-per-hour contribution to be made by Ford for every hour worked by UAW-represented employees. This money would go into a training and development fund controlled by the joint governing body of the center.

THE DECISION TO CLOSE THE SAN JOSE PLANT

The decision to close the San Jose plant by the Ford management was reached after lengthy deliberation and careful study. In the summer of 1982 Ford was operating four small-car assembly plants in North America, which had produced 700,000 subcompact cars in the previous year. Unfortunately, only 500,000 of these had been sold, leaving a surplus of 200,000. Something had to be done. San Jose, which had an excellent labor relations climate and had become one of the top performers in the Auto Assembly Division under the leadership of plant manager Paul Staley, industrial relations manager Hal Axtell, and UAW Local 560 bargaining chairman Stan Jones, was nevertheless one of the plants that came under close scrutiny. Although the plant had been retooled to produce the subcompact Escorts and Lynxes to compete with the Japanese imports in California, by the summer of 1982 Japanese imports had captured 50 percent of the total California car market and 70 percent of the small-car market. In fact the imports had assumed such a dominant share of California car sales that the Ford San Jose Assembly Plant was sending 60 percent of its production to other states.

Robert S. Rennard, a Ford regional operations manager, said the final decision to close the San Jose Plant boiled down to one major question: "If car sales were to rise in the future, would they rise enough to justify retaining the

7. Ibid.
8. Ibid.

Milpitas plant?" The conclusion was no. According to Rennard, "They ran through several five-year scenarios before coming to the conclusion that it was not economically justifiable to retain the plant."[9]

The decision to close the San Jose plant was announced to the workers and public on 18 November 1982. Company officials said they "felt it would be unfair to employees to hold out hope that wasn't there." The local union and local management promised full and effective delivery of all contract provisions and termination benefits and said they would help "find new jobs and when possible would relocate some workers to other Ford plants."[10] The date of the official closing of the plant was set for six months later, 20 May 1983.

The UAW-Ford model for closing a plant

Under the provisions of the various letters of agreement signed as part of the 1982 national negotiations, Ford and the UAW were able to respond immediately and positively to the needs of the hourly workers faced with dislocation as a result of the planned closing of the San Jose plant. Abstracting from these letters and subsequent actions, the basic components of the UAW-Ford model can be described as follows:

1. Actions are based upon the collective bargaining agreement—memorandum of understanding dated 12 February 1982—which specifies that there will be

   —six months' advance notice of closing;

   —consultation with the union at the national level;

   —provision by the company of counseling and outplacement assistance programs;

   —local plant and union participation; and

   —distribution of contractually stipulated benefits to the affected workers—severance benefits, supplemental unemployment benefits (SUB), continuation of health insurance, and preferential placement at other Ford plants.

2. The company and union are firmly and unequivocally committed to do the job right.

3. There is full, joint union-management involvement—not token union participation—in the planning and implementation of programs developed. The mechanisms used to accomplish this may vary, depending on local circumstances.

4. Technical assistance and financial support is made available from the UAW-Ford National Development and Training Center to help initiate and underpin agreed-to services and training programs. Additional funds are sought from public agencies and other sources to supplement company and center resources.

5. Full cooperation is given to and appropriate use made of public agencies and services.

6. Local/division autonomy prevails; that is, the leadership and direction of the planning and activities undertaken

9. David Tong, "Closure Came at Eleventh Hour: One Big Question Held the Fate of Ford at Milpitas," *Tribune* (CA), 21 Nov. 1982.

10. Dave Mitchell and John Flinn, "Ford Closing Milpitas Plant," *San Francisco Examiner*, 18 Nov. 1982.

are left up to the appropriate management and union officials in the affected local units.[11]

Organizing the joint local EDTP committee

At the encouragement of the UAW-Ford NDTC, the local San Jose EDTP committee had been organized 4 November 1982 to develop programs for the 150 workers then on permanent layoff. Hal Axtell and Stan Jones, with the full support of the plant manager, organized the committee and selected three union and three management persons to serve on it with them. Under the direction of the cochairpersons, the eight-member EDTP committee began identifying the needs of the laid-off workers. When the plant closure was announced 18 November 1982, the committee shifted gears and began organizing for a full-fledged plant closing.

A representative of the California Economic Adjustment Team (CEAT), a state government task force created by Governor Jerry Brown in 1981 to coordinate state agency responses to plant closings, provided crucial catalytic assistance to the local EDTP committee the day after the announced closing. He met with the EDTP committee cochairpersons and outlined the kinds of public services available and some steps to consider. Working with the CEAT representative, a community task force meeting was immediately convened with the EDTP committee and representatives of state and local public agencies to consider steps to be taken. Within one week of the shutdown announcement, plans were under way and assignments made to mobilize the necessary resources needed to provide servcies to the San Jose workers.[12]

The local EDTP committee and Ford management demonstrated their leadership and commitment by immediately establishing an Employment and Retraining Center (ERC) in the plant, located in the former Industrial Relations Conference Room. Two company and two union members were assigned by the committee—their salaries and wages were paid by the company—to function as training coordinators. The ERC became operational four days after the announcement of the closing and six months before the actual shutdown. Equally significant was the company's agreement to allow the plant to be used as a site to house staff and deliver the services provided by the other public agencies, such as job service and adult education. The delivery of these services began immediately and would continue for at least one year after the shutdown, as needed.

In the four weeks following the shutdown announcement, before the plant closed for the Christmas holidays, procedures were established and services organized under the direction of the local EDTP committee and with the assistance of the California Employment Development Department (EDD), Milpitas Adult Education, and others. In addition to providing four full-time training coordinators in the ERC Monday through Friday from 6:30 a.m. until 4 p.m. to answer questions and respond to the needs of workers, the EDTP committee began organizing and coordinating a variety of programmatic responses. Some activities were begun

11. "Letter of Understanding, Ernest J. Savoie to Donald F. Ephlin."

12. Interview with Hal Axtell, Industrial Relations Manager, San Jose Assembly Plant, 23 Mar. 1983.

immediately and others were planned for 3-21 January 1983, the three-week period when the Escort assembly line would be down. For the most part, these services were delivered on site at the plant during and after working hours.

Orientation and benefits

Orientation meetings were held for all hourly workers in the plant by EDD staff and EDTP committee members during the period 14-22 December 1982 to inform them about what services were available and being planned, what benefits they could expect to receive, and what procedures were necessary to participate in the various programs. Similar presentations were made to all salaried workers in the plant 13-15 December. During the week of 3-7 January 1983, EDD staff made presentations explaining the range of benefits available to employees through the state of California. Fourteen hundred workers participated in the orientation programs.

By the time production at the plant had started up, after the three-week downtime in January 1983, the company had prepared and distributed personalized information for each worker about what his or her benefits would be at the time of shutdown. During the next two weeks, 20 January to 3 February, each worker was given an opportunity to discuss his or her situation and ask questions during a personal interview with a company and union benefits representative.[13]

Most of the workers were eligible for 52 to 104 weeks of supplemental unemployment benefits (SUB). They also received continuation of company-paid health insurance for up to 25 months, and nearly all were eligible for either immediate retirement or subsequent vested pension benefit upon reaching age 55 or 62.[14]

The combination of SUB and retirement, health, unemployment insurance, and other benefits provided to the Ford workers ensured that they would have a substantial income cushion to help see them through the transition to new employment and careers. It also ensured that the communities in which they lived would not suffer an immediate or severe economic loss as a result of the closing.

Assessment and testing

The demographic makeup of the San Jose work force included a substantial proportion of Hispanics and other minorities—33 percent Hispanic, 12 percent black, 2 percent Oriental—some of whom could not speak English very well. Many workers also lacked adequate education. Thus it was felt that many would need basic education before entering vocational retraining programs. After considering the alternatives, it was decided to require all workers who wished to participate in remedial education courses and/or vocational retraining programs to undergo testing to assess their education and retraining needs. The Milpitas Adult Education staff conducted the testing, using the Test for Adult Basic Education (TABE) and the Career Ability Placement Survey (CAPS).

California EDD counselors were invited to locate their offices on site, in quarters adjacent to the Employment and Retraining Center. Workers who

13. "San Jose Assembly Plant Projected Benefit Eligibility Hourly Employes" (Unpublished manuscript, Ford Motor Company, 20 Jan. 1983).

14. Ibid.

took the tests met with a counselor to go over the test results. On the basis of the results obtained from the tests and the follow-up counseling, the workers were given an opportunity to participate in adult basic education courses or vocational training courses. If neither were appropriate or wanted, training in job search skills was offered as a prelude to job search and placement. During the next 12 months, 1627 Ford workers took the TABE, 1516 took the CAPS, and 1997 had a skills assessment and employability plan prepared by EDD counselors.

Adult basic education. The Milpitas Adult Education office provided courses in basic math, reading, adult basic education (ABE), English as a second language, and general educational development (GED) classes for those who needed and wanted such courses. Students signed up during December. Beginning 3 January 1983 the first courses were taught Monday through Friday for the next three weeks in cafeterias, conference rooms, and other available locations. A total of 108 workers attended the first phase of basic education. The success of the first classes led to the formation of additional classes.

The second round of remedial skills classes was taught twice a week, with instruction starting immediately after the workers came off work at 3 p.m. and running for several hours. A total of six phases of basic and remedial skills classes, all except the first running 12 weeks, were taught at the Ford plant in the period from January 1982 to March 1983. Later phases included more advanced courses, such as pre-algebra and algebra. Several hundred workers participated in each phase, with a total attendance of over 900, representing 531 individuals. One hundred and sixty students completed the GED courses and passed the GED examination.

Vocational exploration courses. Shortly after the San Jose shutdown was announced, the EDTP committee and management group met and discussed "what kinds of training we could do for ourselves"—what could be done immediately to assist the workers without waiting for state and federal funds. One of the suggestions was to have knowledgeable plant employees teach courses in some of the skills utilized in the plant to interested workers. The courses could be started in January, during the three-week period of downtime, when the auto assembly line was not running, and could also help workers get into the habit of taking a course, which could help prepare them for the more rigorous educational experiences and vocational retraining to come later. Taking the short exploratory courses would not make the workers skilled, but might help them decide if they were seriously interested in learning the trade. If they were, they could enter vocational training courses.

The plant Industrial Engineering Department was assigned the responsibility for identifying possible courses, and the EDTP committee agreed to develop a questionnaire to determine if workers were interested in the courses that could be provided. Ten courses were subsequently identified: personal computers, welding, statistical quality control, auto mechanics, upholstery, programmable logic controllers, forklift operator, metal repair, and basic electricity. Workers signed up for the courses in which they were interested, and staff and curricula were arranged. The courses were two days to two weeks

in length and were taught from January until 20 May 1983 during downtime in the plant. Some of the courses were continued beyond the 20 May closing date, until July, to allow workers on the truck line—who had been working most of the time and were not able to participate while the plant was still open—to participate.

During the seven-month period these courses were offered, over 2100 workers participated. A few repeated the same course, and others completed one course and then proceeded to take other courses in succession.

In-plant seminars and programs. A variety of other in-plant seminars were offered by outside course providers to San Jose workers in the period from January to June 1983. Some of these courses had a vocational orientation—small business, real estate, armed security guard—and others were designed to meet personal needs—financial counseling and a loan seminar. In some instances the ERC staff contacted the providers and invited them to offer the course, and in others the providers came to the ERC and offered their services. The courses ranged from one-half day to ten days in length. All of them were delivered on site at the plant in conference rooms and other facilities. The EDTP committee paid the necessary tuition fees for the real estate preparation and armed security guard courses with company employee tuition program funds, and the remaining courses were provided without cost to the workers. Six hundred ninety-one workers participated in the in-plant seminars.

Targeted vocational retraining. With the availability of resources from the UAW-Ford NDTC, the local EDTP began planning for targeted vocational retraining (TVR) courses that would meet the needs of the workers. Area education and vocational-training institutions were invited to submit proposals—specifying costs and other particulars—for the courses they were prepared to offer. California EDD staff were asked to supply information about job openings in demand occupations. This information could then be compared with the training proposals received to ensure that workers would be trained for meaningful jobs. Using NDTC staff to assist them, the EDTP committee screened nearly 140 proposals to determine which ones met the criteria established. Those courses meeting the criteria were advertised among the workers to determine if there was sufficient demand; if enough were interested, the courses were scheduled. EDD staff approved the courses and applicants for unemployment insurance eligibility, and ERC staff enrolled the workers in the classes and monitored the students' progress while in the courses.

The first course in microwave technician training began 25 April 1983, a month prior to the plant closing. Additional courses were started as workers completed basic skills and remedial education courses, when course providers and facilities became available, and when more funds were obtained under Title III of the Job Training Partnership Act. Since the first course in microwave technician training began, nearly 500 workers have entered more than 30 TVR courses, including machine tool technology, auto service technician, computer repair, welding, machinist, plant maintenance mechanic, computer-aided design drafting, electronic technician, heating and air conditioning, and landscaping.

Prepaid tuition assistance. In addition to the TVR program, the UAW-Ford employee development and training program created a program called National Vocational Retraining Assistance Plan (NVRAP). This program authorized the NDTC to approve prepaid tuition assistance plans for certain laid-off employees, covering tuition and fees up to $1000 per year—up to four years depending on seniority—for self-selected education and training. Under this program 128 applications were approved for San Jose workers as of February 1984.

California employment training panel. Through the persistent and coordinated efforts of the local San Jose EDTP committee and their political allies, a $638,000 grant was obtained from the California Employment Training Panel, a new state agency created in 1983, to fund an on-the-job training (OJT) program for 360 Ford workers.

The grant to the UAW-Ford San Jose EDTP was the first grant made by the panel. The funds were used to hire a team of job developers, determine skill shortages and demand occupations, develop job sites and training opportunities among demand employers, identify, select, and place Ford workers in the OJT slots, and monitor the progress of the trainees in their new jobs.

This program began in the summer of 1983 with the selection of four full-time and several part-time job developers. They are housed in the Job Placement Center located at the plant near the Employment and Retraining Center. So far their efforts have been very successful. The EDTP committee selected experienced Ford production personnel with full knowledge of the skills, experience, and work habits of the workers to fill the job developer positions. Consequently, they are able to talk the same language, understand the needs of employers, and sell the virtues of the Ford workers to prospective employers. In the first six months of operation, their efforts resulted in 190 funded and 140 unfunded OJT placements of Ford workers. The average length of the funded OJT contracts is 12 months, with the employer receiving about $2700 in wage subsidy for each worker hired and trained.

Job search skills training and job placement

In the early discussions between the San Jose EDTP committee and the California EDD, job search skills training and job placement were discussed. EDD staff offered to provide both services for the Ford workers. Initially it was decided to have EDD run two pilot five-day job search training workshops—one for hourly workers and the second for salaried workers—after which the workshops would be evaluated by the EDTP committee and EDD. These were conducted during the week of 6-10 December 1982.

Several findings emerged from the first pilot workshops:

1. The union leaders who sat through the workshops felt that many of the workers would need the full five-day program, but that the workshops would be more helpful if held closer to the day the plant would close, except for those who wanted to begin their job search before then.

2. The length of time needed for the salaried workers could be reduced to about two days, and since some were already looking for work it would be appropriate to run job search work-

shops for them during the downtime in January.

Consequently, a second round of job search workshops was planned for any workers desirous of starting their search for new jobs. These workshops were advertised during the remainder of December. From 10 to 21 January workshops were conducted for those who had signed up.

As the 20 May closing date approached, additional job search training workshops were offered. These have been continued on an as-needed basis for workers completing TVR training and for any other workers expressing an interest in participating in the workshops. By the end of January 1984, 309 persons had participated in the job search training workshops, and new sections were being scheduled every few weeks for workers completing TVR courses.

At an early stage the San Jose EDTP committee decided to do much of the job placement for the Ford workers and not rely wholly on the EDD. As a prelude to this work, a member of the plant staff was assigned in March 1983 to begin laying the groundwork for job development with area employers. For a period of three months this staff member contacted employers and assembled names, addresses, contacts, referrals, and other basic information about job opportunities. Job openings and other information were listed on bulletin boards set up adjacent to the Employment and Retraining Center, and referrals were made where appropriate.

With the approval and start-up of the OJT project funded by the California Employment Training Panel in early May 1983 and the impending plant closure on 20 May, the preliminary EDTP job development activities were merged into a new, expanded Job Placement Center (JPC) and formalized. Signs were put above the door to mark the location of the JPC, and activities became much more clearly focused on referral and job placement.

In addition to their job development and placement activities the enlarged JPC staff organized a job club, complete with a furnished room and a bank of telephones, for workers who completed the job search skills training workshops and were desirous of additional group support while looking for jobs. Through the efforts of the job developers and others—including the individual efforts of some workers and the transfer of some workers to other Ford plants—755 workers were placed in jobs by February 1984. JPC staff continue to work with employees completing TVR courses and others coming in for assistance.

Preferential placement. Although the California climate and life-style are such that most workers have shown little interest in transferring to Ford plants located in other states, the provisions of the 1982 Ford-UAW national agreement allow those who qualify to move to other locations where openings are available. The company assists them in making the transfer and allows them to return to San Jose after a period of time without losing their benefits. During the summer and fall of 1983, 117 hourly workers elected to relocate to other Ford plants nationwide. Overall, the program has worked satisfactorily, although some of the workers who went to St. Louis in August 1983 during the "100-year heat wave" and some workers who went to Kansas City in January 1984 during the "worst freeze of the century" returned to the milder California climate.

RESULTS TO DATE

It is somewhat difficult to evaluate the final outcome of the joint UAW-Ford efforts to assist workers dislocated by the closing of the San Jose Assembly Plant. In the first place, there are no nationally recognized performance standards or objective criteria—TVR completion rates, job placement rates, and so forth—against which to judge the results. Little substantive research has been done to develop baseline evaluation data, and federal agencies such as the U.S. Department of Labor have been reluctant to fund follow-up studies of plant closings. Several years ago Jeanne P. Gordus, one of the authors represented in this volume, and two colleagues wrote a monograph reviewing the research that had been done in the preceding two decades.[15] They were hard pressed to find enough recent studies to make meaningful comparisons. Much of what we do know as well as some of the questions needing answers are summarized in their monograph.

The second problem is that the San Jose closure occurred just eight months prior to the writing of this article. It is difficult to evaluate a plant shutdown program when most of the education and training programs are still in progress. Insufficient time has elapsed for many of the workers to exhaust benefits, complete training, make a serious effort at job search, obtain employment, or retire. Consequently, the results that follow are tentative and indicative, rather than final and definitive, but they are impressive.

15. Jeanne Prial Gordus, Paul Jarley, and Louis A. Ferman, *Plant Closings and Economic Dislocation* (Kalamazoo, MI: W. E. Upjohn Institute for Employment Research, 1981).

The workers' participation rates in assessment and testing, in basic education and remedial training, TVRs, OJT, and job search training all suggest a much higher take-up rate than normally occurs in such programs. A 70 percent workers' participation rate in testing and assessment and a 30 percent participation rate in education and training courses are much higher than the data presented in most existing studies. In fact, the 25 percent participation rate in adult basic education programs is singularly unique—even phenomenal. To my knowledge there are no other examples of a similar nature with which it can be compared. Equally significant is the fact that the dropout rates in the TVR programs are extremely low—less than 10 percent—indicating that the workers have been adequately prepared and are highly motivated to complete the training.

The evidence is spotty and impressionistic, but nearly everyone who was present prior to and at the time of closure and shortly thereafter has commented on the positive attitude that the San Jose workers exhibited. There was little overt hostility, bitterness, or anger expressed to the news media or to those observers present during the last phases of the shutdown and after. As some who were there noted, the last week at the plant was unusual because an air of pride and almost festivity was present, not one of gloom and bitterness. While there was some anxiety about the future, workers were positive in their comments about the company and union and felt good about what was being done to help them adjust to their situation.

Based solely on anecdotal and impressionistic data collected during the short time since closure, there seems to be a low incidence of social pathologies—drug abuse, alcohol abuse, child and

spouse abuse, and suicides—present at this point in time. However, it is too early to know if these indicators will remain low; without follow-up research the evidence may be lost from public notice.

There is little definitive to be said about the reemployment experiences of the workers as yet—apart from substantial numbers obtaining employment—in the absence of any follow-up research data. However, the OJT program funded by the California Employment Training Panel placed 330 persons in OJT slots during its first five months of operation, and an additional 40 OJT contracts were negotiated but lacked funding to complete the contracts. The San Jose program received praise from the panel and a further grant of $500,000 to carry on its work in 1984. Employers seemed pleased with the workers and are willing to hire more.

The first Ford workers just graduated from the TVR courses, and indications are that they are finding good jobs. I am optimistic about the prospects of the graduates to find employment, because most of the TVR courses contracted by the UAW-Ford EDTP committee are performance-based contracts specifying that the course provider must place a substantial percentage of the workers in order to receive payment. Only longer-term follow-up research will provide more complete and accurate information about the post-training employment experiences of the workers, enabling us to determine whether the jobs and wages obtained are comparable with their pre-shutdown situation.

During the six months that elapsed between the announcement of closure in November 1982 and the actual closure in May 1983, productivity and quality at the plant remained at a high level. Production data suggest that the work force continued to function and maintain their high standards despite the disruption and uncertainty present in the waning months. This speaks well of the plant managerial ability, the active support of the union, the loyalty of the employee involvement during the previous two years.

Early warning. The San Jose closing demonstrated forcefully the value of six-months' early warning as provided for in the UAW-Ford Collective Bargaining Agreement—when properly used. From the moment the closure was announced on 18 November 1982, machinery was set in motion to organize, plan, and sequence the introduction of services in the interests of both the company and the workers. Innovative programs such as the in-plant vocational exploration courses were developed, contacts were made, facilities were converted to new uses, and problems were faced and resolved. By 20 May 1983 the work force was well along in its transition. Workers were prepared for change through orientation, testing, assessment, education, training, and job search programs. Time is a crucial factor if used properly. Adequate advance notice, a sense of urgency, and the ability and willingness to implement programs and services efficiently and in a timely manner were present at San Jose.

Technical assistance. Timely and competent technical assistance is also very important to successful readjustment efforts. The California Economic Adjustment Team played a limited but crucial role in launching the UAW-Ford San Jose dislocated worker retraining program. The CEAT representative made contact with the plant within hours of the public announcement. He

was knowledgeable about the problems experienced when a plant closed, knew what other agencies needed to be involved, and was prepared to convene a community task force of key agency personnel to meet with the EDTP committee and help the parties develop and work through their plans. Similar competence and expertise was demonstrated by the EDD representative who was involved in the first planning meetings.

The technical assistance provided by the UAW-Ford NDTC professional staff in helping the San Jose EDTP committee determine the TVR courses to be offered and the criteria for selecting courses and course providers was equally important.

Joint labor-management approach. Much of the success of the San Jose plant-closing experience can be attributed directly to the joint labor-management approach used. When labor and management implemented employee involvement at the plant, it created a positive climate and established a joint framework for the EDTP committee. This enabled the committee to make the transition from developing programs for 150 laid-off workers on one day to taking on the awesome task of organizing and directing the human resource development and labor market transition of 2400 workers the next without skipping a beat.

The presence of basic contractual provisions for closing a plant and fostering employee involvement established infrastructure and a sense of commitment. Such a contract, in addition to labor-management cooperation, contributed significantly to the successes experienced in San Jose.

Leadership. Another important ingredient for success is effective leadership. The presence of an able manager who gave full support coupled with outstanding company and union cochairpersons who led the EDTP committee were important factors in the success at San Jose. The cochairpersons were able and aggressive, knowledgeable about the Ford system and community and state politics, and seasoned negotiators—critical skills that were necessary time and time again to surmount roadblocks and solve problems. They also worked very effectively as a team, selected an exceptionally talented person to oversee the ERC and good staff to serve as training coordinators in the ERC and job developers in the JPC, and delegated sufficient authority to enable the coordinators and developers to get the job done.

Commitment. The commitment of UAW and Ford to do the job right was important to the success achieved. This commitment was evident in the short term by making facilities and resources available to obtain the staff and programs. In the longer term the company gave firm assurances that the facilities—the plant site—would be available for a full year after closing and that sufficient financial resources would be forthcoming to finance the EDTP committee and Employment and Retraining Center until all programs were completed and the workers adequately served. Another dimension of that commitment by the company and its officials at the local level was to make the plant closing process a truly joint venture. The UAW participated equally on the EDTP committee and as a full partner in all other activities. It was not a token partner.

NDTC organization and resources. The presence of the UAW-Ford NDTC staff with its resources, flexibility, and

willingness to finance TVRs and backstop the delivery of adult basic skills training while state and federal bureaucracies processed paper and fought over turf was extremely important in getting programs started, maintaining momentum, and ensuring the proper sequencing of services. A comparison with other shutdown programs that waited on federal funding for six months to one year after shutdown before vocational training and services could be offered highlights the importance of this point.

Private direction and control. The San Jose EDTP committee maintained effective control over the deliverers of services and ensured that the programs offered to Ford workers were properly conducted and that the services contracted for were delivered. In one or two instances this monitoring and control led to reorganization and substantial changes of on-going TVR programs to ensure that they met the high standards set by the committee.

The San Jose EDTP committee also developed and maintained good working relationships and rapport with all other funding and service agencies while maintaining overall direction and control of the project. This speaks well of the personnel involved—from the company, the union, and public agencies—and their willingness to compromise and work together for common goals. The San Jose experience suggests that control and direction of a plant-closing program by responsible, capable company and union personnel who are prepared to invest the time and resources necessary to do the job right makes for better and more successful programs.

Communication. Communication is another important dimension of a successful plant closing. The EDTP committee and the company used newsletters, EI meetings, letters, personal contact, and bulletin boards frequently and continuously to carry information to the workers. From the day the plant closure was announced until the day the plant closed, a steady stream of helpful and timely communications were issued to the workers. Workers were told repeatedly about benefits, opportunities, and the need to undergo testing and assessment, and they were encouraged to participate. Frequent communications contributed significantly to the high rates of participation in the programs and ultimately to the workers' success in obtaining reemployment.

Comprehensiveness and sequencing of programs. In my judgment, the insistence on and proper sequencing of comprehensive testing, assessment, and counseling of the workers who participated in the EDTP-sponsored programs, the availability of basic and remedial education and training classes on site five months prior to the shutdown, the careful selection of TVR courses and providers by the EDTP committee and NDTC staff, the follow-up monitoring of courses and students, and effective job development and placement services all contributed substantially to the unusually high take-up and retention rates and successful training and placement experiences for the San Jose workers. There have been no horror stories coming out of San Jose like those from some other retraining programs.[16]

Delivery of services on site. The delivery of services and basic educa-

16. Jay Mathews, "Program Leaves Workers Still 'Down on the Floor,'" *Washington Post*, 6-10 Nov. 1983.

tional programs at the plant site in the months prior to and after the shutdown was extremely important. The workers were able to take advantage of the services in a familiar, convenient, and supportive environment, experience a sense of caring on the part of the company and union, and participate in education and training courses with fellow workers several months prior to the plant closure. A climate of learning and an esprit de corps were effectively created. The plant came close to becoming a factory school in the best sense of the term.

SOME POLICY IMPLICATIONS

How does one foster the wider application of the approach described in this case study? Is the passage of state or federal plant-closing laws necessary to bring about its replication in other firms? Would key elements of the UAW-Ford model work with smaller firms? Or nonunion firms? I do not know the answers to these questions, but I do believe they need to be explored if we are to come closer to the resolution of the issues discussed in this volume as well as the broader issues of reschooling the American worker.

I believe the multifaceted approach used to assist workers in the San Jose plant closing has direct application to other plant closings. Certainly the concept of a joint labor-management approach, advance notice, use of the plant site for the delivery of services, careful assessment and testing of workers prior to providing remedial education and vocational courses, job search training, and job development by experienced production personnel are all important and useful concepts that bear evaluation and possible replication. The need for a catalyst to start the process off on the right foot and its availability to deliver timely technical assistance to the parties—as was done by CEAT in San Jose—is also an approach meriting serious consideration and possible adoption in other states.

Perhaps an even more important question needs to be asked: Could the concept of the factory school and the incorporation of a learning environment in the work place be applied in a work setting where the factory is not destined to close? The UAW-Ford EDTP is moving in this direction for active employees in many facilities, and a national program is being launched under the direction of the UAW-Ford NDTC.

Could the learning environment created at San Jose prior to 20 May 1983 offer a prototype of one of the components needed as part of a human resource development policy for America in the 1990s and beyond? Will the broader dimensions of the UAW-Ford employee development and training program be replicated in other organizations?

It is unfortunate that we must obtain knowledge and understanding from a failure—the closing of a plant. But if the knowledge gained at San Jose can help managers, union leaders, and public policymakers develop more effective, humane, and creative policies not only for closing plants, but for keeping them open—by designing more innovative approaches to retrain workers in all factories and thereby increase the nation's productivity and stock of human capital—then it may be worth the cost to Ford and the UAW in pioneering a truly better idea.

BOOK DEPARTMENT

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INTERNATIONAL RELATIONS AND POLITICS

FALK, RICHARD. *The End of World Order.* Pp. x, 358. New York: Holmes and Meier, 1983. $39.50. Paperbound, $16.50.

The rather ominous title of *The End of World Order* reflects Richard Falk's view that if drastic change is not made in the perception and organization of geopolitical international relations, then global disaster will result. That is, we will probably kill each other off in the name of peace and reason. According to Falk, those who support a realist view of global affairs have not been able to solve the imminent world problems of the advance and proliferation of nuclear weaponry, ecological decay, population growth, expanded demand for entitlement or equity, and human rights. Realists such as Kennan, Kissinger, and Brzezinski have been guided by an amoral, statist, and militaristic view of the world. Falk states that world order should not simply be a matter of power and economy; world order is ultimately achieved through the proper realization of values, such as peace, economic well-being, social justice, and humane governance.

Falk suggests in this collection of original and previously published essays that we are at a pivotal point in history. The world is "vulnerable to chaotic destruction" while at the same time it is receptive to a "transformative vision." It may be delusional on Falk's part to suggest that the United States can become the major moral force in the transition to a world order that is normative or value based rather than rational and statist based. Yet, we should lead in a Grotian quest for a balance of the secular and the sacred, the past and the future. The state system is inadequate to the task. A transitional, visionary geopolitical entity is necessary to produce a world order based in normative consensus, human need, and communal authority. While no such vehicle exists, Falk suggests that we look to several world-order efforts for help.

The Club of Rome and the United Nations represent two examples of efforts to reconceptualize a world order that is not based in statist or militaristic terms. Falk is a particular advocate of the World Order Models Project (WOMP). WOMP is not a utopian concept, according to Falk; but it is a vehicle that can be used to generate a new vision of world politics. WOMP is normative, futuristic, systematic, institutional, and interdisciplinary. WOMP is also academic; that is, its aspirations have not been realized, and they may never be realized.

Falk's position remains unattractive to mainstream Marxists because it does not go far enough. A qualitative view of world order is appealing as an ideological device, but the practical implementation of WOMP or models like it remains a mystery. Marxists have an answer revolution; moderates do not have such a mechanism. But this is the problem. Reason has always prevailed over idealism. For Falk, and others in the normative camp of international relations, the reverse should be true. This is the major argument of *The End of World Order.*

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KAPLAN, FRED. *The Wizards of Armageddon.* Pp. x, 247. New York: Simon and Schuster, 1983. No price.

The Wizards of Armageddon is neither a thoroughgoing history of American nuclear weapons policy nor a comprehensive account of post-1945 strategic thought. Instead, this work is concerned with a particular group of thinkers—Bernard Brodie, Albert Wohlstetter, William Kaufmann, Herman Kahn, and a number of lesser-known figures, almost all of whom worked at the Rand Corporation in the 1950s. Fred Kaplan is interested in how their ideas developed and interacted with policy. Indeed, the heart of Kaplan's argument is that the views of this group essentially shaped American nuclear strategy: the idea that a nuclear war could be something other than an all-out paroxysm of violence, that it might be controlled, limited, and fought rationally, became the accepted basis for operational planning as the "tightly knit coterie" of Rand alumni and their disciples gradually came to dominate strategic policy with the "hidden infrastructure of the government." But to Kaplan this whole effort to impose rational order was rooted in illusion. To him nuclear weapons are simply devices of "sheer mayhem"; the nuclear strategists with all their unrealistic options are merely "dancing in the dark"; and nuclear strategy is by now nothing but "the stuff of a living dreamworld."

Despite the polemic tone, this is a serious and valuable book. Kaplan's insights are often impressive; he knows how to tell a story; and the work is based on a great mass of new, and often fascinating, archival and interview evidence. Kaplan's argument is nevertheless misleading in a number of ways. The Rand strategists are portrayed as propagating a dogma; there is little sense of the serious debate that was going on within the group or of the ideas generated by the Rand people themselves—most notably their concept of strategic stability—that were in basic ways inconsistent with the notion of a counterforce strategy. Nor does Kaplan really show that the strategists were "nonchalant" about nuclear war: a desire for rational contingency planning and a belief in the controllability of nuclear war are simply not the same thing.

Finally, there is, I think, a fundamental contradiction between the two halves of Kaplan's argument. On the one hand he tends to exaggerate the importance of the Rand group. But he also wants to argue that its ideas were, in the final analysis, bankrupt, and the proof here is that these Rand notions were too unrealistic to have a real effect on political leaders. For both sides of the argument his discussion of the 1961 Berlin crisis is crucial. He implies that the strategists at that time were contemplating—almost advocating—a nuclear first strike against Russia, but the document he refers to was simply a capabilities study, untouched by the subtle "no-cities" logic that was the touchstone of the rational, Rand approach to counterforce. On the other hand, the argument about the unrealism of strategic options also rests largely on the contention that in 1961 no one in a position of authority was willing to contemplate the possibility of actually launching a first strike: "Yet approaching the height of the gravest crisis that had faced the West since the onset of the Cold War, everyone said, 'No.' " This conclusion is based on his claim that Paul Nitze, possibly Dean Acheson, Marcus Raskin, and Ted Sorensen all op-

posed the "plan." But even if these assertions are correct, the important points are that three or four people do not constitute an "eveyone," that the real decision would probably not be made until a massive American conventional defeat in Europe seemed imminent, that the decision was ultimately in the president's hands, and that Kaplan gives no evidence at all that President Kennedy—who in August had asked for this kind of planning to proceed—had decided in advance not to use nuclear weapons no matter what happened in Europe.

The basic problem then is not that the strategists live in a dreamworld, but rather that the perplexities of the nuclear age are inescapable. As long as there is any possibility, no matter how slight, that nuclear weapons might be used, and as long as there is any chance at all that a nuclear conflict, if it ever does come, can be kept from going out of control, the problems of nuclear strategy will retain political significance and are thus worth thinking about. To imply that a willingness to take such issues seriously can only be rooted in an overintellectualized and nonchalant attitude toward nuclear war is in the final analysis to deny that serious debate on these fundamental questions is possible.

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MARCUS, HAROLD G. *Ethiopia, Great Britain, and the United States: The Politics of Empire.* Pp. xi, 205. Berkeley: University of California Press, 1983. No price.

The "Empire" of the subtitle of Marcus's book is a multilayered concept. Ethiopia excited imperial ambitions for many centuries, yet only became fully a prey to them in the twentieth. Napier's expedition of 1867 advanced and withdrew. Italy's attempt to expand its empire out of Eritrea was thwarted at Adowa in 1896. Only when the Italian invasion of 1935 became a factor in World War II did the British, supreme in the Upper Nile and the Gulf of Aden, take a hand. But British weakness was already apparent, and by the late 1940s she had no alternative but to hand over influence in the area to the United States. The combination of British weakness and American vacillation ensured the success of Ethiopia's own imperial designs on Eritrea and the Ogaden. The resulting Eritrean separatist movement, Somali revanchism, and Soviet capacity to capitalize upon American failure are still very much with us. The book therefore charts a key period in the modern history of Ethiopia and of the region.

Marcus's study hinges on the attempted coup of 1960. It was then that the real weakness of Haile Sellassie's rule became apparent. It was then that the Americans were forced to commit themselves, and they threw in their lot with the ancien régime. In the aftermath it was all the more possible to speak of American imperialism, and the clear—but not unique—humbug of the democratic liberal United States propping up the feudal reactionary Ethiopian Empire became itself a source of weakness to both parties. Marcus introduces a curious ambivalence into all of this. He refuses to accept that in the 1950s Ethiopia became an integral unit of American global imperialism. Aid had to be prized out of the U.S. administration. The Americans were, much to the rage of the emperor, at all times reluctant patrons, and American policy was generally made in the American embassy in Addis Ababa. As any student of the British Empire knows, however, imperial reluctance is a poor indicator of imperial reality, and imperial policies are invariably made by more imperialist men on the spot.

The experience of Ethiopia reflects perfectly the American dilemma in the modern world. The handing over of the Western imperial baton from Britain to the United States was a strained and difficult process in which the baton was invariably dropped. It was clear in American policy that the Western European formal empire had to be destroyed in the post-World War II era, but the nature of the informal empire that had to

replace it was unclear. American reluctance to meddle too openly in the domestic affairs of satellites led to the excessive concentration, as in the Ethiopian case, on military aid to regimes without futures. No wonder such inattention to their mechanisms led to so many satellites spinning off into other orbits. There are some beautiful ironies about the Ethiopian case. When in 1959 Haile Sellassie became dissatisfied with American aid he paid a visit to the USSR. Russian aid was offered, but it was linked to the necessity of land reform, the one development that might have saved the emperor's regime. The Americans had never attempted such a condition—though often talked of it—and consequently ensured the fall of their protege.

This book constitutes a cool, clear look at the American relationship with Ethiopia. It is more fully documented and in many cases more detailed than any previous account. It is short on comparative insights, as Marcus himself admits. He leaves it to his readers to add ideological heat, but only the most apathetic will fail to secure their own ideological message from it. It is a pity that the index is so inadequate. Institutions with multiple entries in the text receive only single index entries, and some key individuals are not indexed at all. Perhaps it is inattention to indexes that has helped to make American policy so often confused and ineffectual.

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SMALL, MELVIN and J. DAVID SINGER. *Resort to Arms: International and Civil Wars, 1816-1980.* Pp. 373. Beverly Hills, CA: Sage Publications, 1982. $14.95.

A decade has passed since Singer and Small published their important work, *The Wages of War 1816-1965*, and it is fitting that they now offer us an updated version of their valuable data on war. This new volume, however, is much more than a revised edition of the earlier one. In addition to an extended data set on international war they offer a whole new collection of data on civil war from 1816 to 1980.

The first half of the book deals with international war during the period 1815-1980, a 15-year extension of the original series. The analyses undertaken are essentially the same as those presented in the earlier volume, and the findings do not differ significantly from those previously reported. Recent war experience seems to conform with past patterns of war.

The second part of the book is devoted to the totally new civil war data. Small and Singer begin by explicating the criteria used to identify civil wars. In short, a civil war is defined as "any armed conflict that involves (a) military action internal to the metropole, (b) the active participation of the national government, and (c) effective resistance by both sides." All of these criteria seem reasonable, but it is clear that a substantial amount of historical judgment had to be exercised in sorting out the 106 civil wars that the authors eventually found. In 21 of these, direct foreign military intervention occurred and Small and Singer designate these "internationalized" wars. The authors document their decisions to include or exclude wars in two appendices, which are useful for those who wish to learn more about a particular international or civil war.

The same terms Small and Singer use to describe international wars they use for each qualifying civil war. In addition, they indicate whether and on what side there was foreign intervention. Over half—17—of the 33 foreign interventions were undertaken by three nations: the United States, England, and France. Another interesting result is that the government prevails over its opposition in about two-thirds of the cases, a likelihood of victory that appears not to have changed over the 165 years.

The remainder of the volume presents descriptive analyses of the basic civil war data. In general these results show that the distributional characteristics of civil wars are remarkably like those found in the analysis of international wars. Basically no trends in the frequency, magnitude, severity, or intensity of civil wars are found. While no peri-

odic regularity appears to be present in the onset of civil wars, the aggregate amount of civil war under way may be subject to a long cycle of 28 to 42 years.

More interesting findings are discovered with regard to the civil-war proneness of nations and regions. Depending upon the specific measure used, different nations claim the dubious honor of having experienced the most civil war. A regional breakdown shows that on the average Asian nations have experienced considerably more civil war than expected under the assumption of simple randomness, and European nations have experienced considerably less.

As Small and Singer themselves state, their results are limited, and the full value of these data will be realized only if scholars work with them. Such work has already occurred with respect to the international war data, and I expect the same will follow for the civil war data.

Since both of these data sets measure only the most intense forms of inter- and intranational conflict, the potential user will be limited as to the type of analyses that may be conducted. This is due to no fault of Small and Singer, but rather to the immensity of the task of generating conflict data that are fine-grained and cover a long span of time. The forthcoming correlates of war data on serious international disputes should ease this limitation in the international area.

In short, Small and Singer have made a valuable collection of data even more valuable by opening up more possibilities for systematic research on conflict. And since this volume exists in hardcover and paperback form, it will be more easily available than the first edition. The ultimate value of the volume, however, depends upon whether scholars pursue the avenues of research that Small and Singer have opened for them.

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SMITH, ANTHONY D. *State and Nation in the Third World: The Western State and African Nationalism.* Pp. 171. New York: St. Martin's Press, 1983. No price.

This slim volume presents a British sociologist's non-Marxian theory of the modern African state—a theory too far-ranging to fit into 135 pages. The argument is that the regimes that imperialism planted in Africa were gubernatorial ones differing from Western nation-states in that they were essentially bureaucracies divorced from and overpowering the multi-ethnic civil societies they ruled. Largely because the global interstate system is biased towards territoriality, not ethnicity, these units emerged as independent nation-states and persist as gubernatorial systems. Within such systems, education, rather than bases in civil society, determines leadership, and leaders so determined—including the soldiers—have two choices. They can either retreat into defensive territoriality or attempt popular mobilization for development. The latter is dangerous, however, for it triggers the real loyalties of civil society—ethnic ones that threaten the state. Marxism appeals to such leaders, Smith argues, because it enables them simultaneously to reinforce the bureaucratic system—Marxism underplays the historical significance of ethnic loyalties—and to identify psychologically with the people. The argument is emphatically pessimistic: Africa is unlikely to develop true nations within the territorial states that comprise imperialism's political legacy.

As it is presented here, Smith's argument has three weaknesses. First, although he does distinguish tribalism (rural conservatism), ethnicity (urban networking based on place of origin and language), and ethnic nationalism, he fails to integrate the distinction into his wider framework. In fact, only a few cases of fully developed ethnic nationalism exist, and these—Somali, Igbo, Yoruba, Ganda, Kongo, and Afrikaner are the major ones—present unique challenges to the states in which they occur. That ethnic nationalism often failed to develop—among the Akan or the Hausa, for example—

suggests, perhaps, greater potential for developing territorial nationalism than Smith would admit.

Second, any theory attributing overwhelming superiority of state over civil society ought to deal specifically with cases involving the bureaucratic state's collapse, as in Uganda and Zaire in recent years.

Finally, no theory that entirely ignores the real achievements of the neo-Marxian underdevelopment paradigm over the last decade is convincing. Underdevelopment theory has posed questions about the colonial state—while admittedly ignoring the ethnic factor—and answered them convincingly, showing that the colonial state had as its vocation economic underdevelopment—Brett's *Colonialism and Underdevelopment in East Africa*—and that the successor states perpetuate the tradition—Leys's *Neo-Colonialism in Kenya*, which is not even in the 15-page bibliography. Indeed, I find little in Smith's approach that could not be incorporated into the Marxian model, appropriately applied.

These are weaknesses worth taking into account in reading this stimulating essay. The book also has the virtue of providing in a brief compass a bird's-eye view of most of the issues—save economic ones—involving the political sociology of modern Africa.

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SNYDER, LOUIS L. *Global Mini-Nationalisms: Autonomy or Independence.* Pp. xvii, 326. Westport, CT: Greenwood Press, 1982. No price.

This work by the distinguished historian Louis Snyder addresses one of the most persistent, complex, and galvanizing problems of our age—mini-nationalism. The term specifies a variant of nationalism, namely, the national aspirations and movements of peoples amalgamated into the larger structures of nation-states. In effect, mini-nationalism is frustrated nationalism. And when the nation-state fails to formulate and implement adequate devolution policies—that is, to make generous concessions—frustrated nationalism often generates terror and violence.

Nationalism, as Snyder observes, in its several forms has become the dominant "ism" of contemporary politics. In terms of influence, Marxism, for example, which has pretensions of affecting radical action, pales in comparison. Surprisingly, even though mini-nationalism burns as many fierce fires around the world, comparative studies of it are sparse. Snyder's book goes some way in filling this critical gap. His approach reflects the traditional perspectives of history and political science. He eschews the computer as a tool of scholarship. History, Snyder writes, does not respond well to "materialistic formulae," and its many "irrational factors" make measurement difficult. "There is always the danger," he warns, "of overemphasizing measurement, projecting questionable premises, using false analogies, and, worst of all, descending to obscure historical and sociological verbiage." For these sins Snyder cannot be faulted.

The scope of this work, as the title indicates, is the global arena. Fourteen of the 17 chapters deal with peoples of various geographic areas. Snyder provides an introduction to the cultures, and assessments of the national ambitions of such peoples as the Scots, Welsh, Irish, Basques, Catalans, Flemmings, Walloons, Frisians, Croatians, Georgians, Ukrainians, Armenians, Kurds, Palestinians, French Canadians, black Americans, and others. While it is made clear that mini-nationalism is an ubiquitous phenomenon, the emphasis here is on Western forms. The tangled affairs of Africa and Asia are only cursorily treated in single chapters, and there is no discussion of Latin America.

The underlying theme of the book is the contrast between states and national movements that have followed policies of moderation and compromise, and those that have chosen policies of oppression and extremism. In this regard, British devolution policies that have rendered the Scots and Welsh

relatively contented are cited with approval. Snyder notes that freedom as the impulse for nationalism is normal. But in surveying its negative effects, he cautions that nationalism should not be confused with rationalism. The record compiled here documents the almost insurmountable difficulty of reconciling the conflicting objectives of different parties engaged in nationalist struggles.

This work, for the most part, is clearly written, but there are several unfortunate lapses. The dates of King William's War, which was ended by the Peace of Ryswick in 1667, are improperly given. More seriously, the reference to the Six-Day War of 1967 is badly muddled. "Arabian troops" did not occupy Gaza, the Sinai, East Jerusalem, Golan, and the West Bank; nor was there an "Israeli reaction" to comparable events. In the same careless vein, the summary of the political careers of Canadian Prime Minister Pierre Trudeau and Quebec Premier René Lévesque is inexplicably garbled. Lévesque, though once a Liberal minister and member of the National Assembly, unlike Trudeau, did not serve in Parliament or hold the portfolio of justice minister. Such errors aside, Snyder's work is a useful introduction to the problems of mini-nationalism, and calls for further comparative analysis in greater depth.

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AFRICA, ASIA, AND LATIN AMERICA

ALBERTINI, RUDOLF von. *European Colonial Rule, 1880-1940: The Impact of the West on India, Southeast Asia, and Africa.* Pp. xxx, 581. Westport, CT: Greenwood Press, 1982. No price.

HALSTEAD, JOHN P. *The Second British Empire: Trade, Philanthropy, and Good Government, 1820-1890.* Pp. viii, 261. Westport, CT: Greenwood Press, 1983. No price.

These two volumes reflect the range of historical themes in the excellent series of which they are part: Contributions to Comparative Colonial Studies, edited by Robin Winks.

Halstead presents a comparative trifle on the classic theme of European motives for colonial expansion. Arguing that disputation to date suffers from too much theory, Halstead looks for imperialist motives in explicit rationale employed in Foreign Office decisions regarding whether or not to expand British paramountcy. Having set forth his argument and procedure in four short chapters, Halstead presents seven chapters of case studies, none longer than 25 pages, on British foreign policy decisions that led to paramountcy in Burma, Sind, Punjab, Malaya, South Africa, Ghana, Nigeria, the Sudan, and Uganda. He finds that three foreign policy goals dominate decision making: expanding trade, native protection, which he calls "philanthropy" at times, and good government. When pursuing these goals in relation to what he calls "rationalized" societies, foreign policymakers had recourse to numerous diplomatic techniques that did not apply to relations with "unrationalized" societies. Where goals met obstacles from the latter type of society, paramountcy often became a necessary means to ends that Victorians felt were worthy of warfare and colonial responsibilities.

The value of the book is its easy accessibility as an introduction to the process of colonial expansion. Halstead looks directly and

sympathetically at men in high places who made fateful decisions. The weakness of the book is that Halstead gets lost in the ideology of his subjects and loses sight of the world within which they work. Expanding free trade did not have the same meaning for Palmerston and for his constituents as it does today for the president of the World Bank and his: it meant expanding Britain's share of profits from world trade. Aborigines' protection and good government embraced high-minded goals like the ending of the slave trade and general law and order; but paramountcy as a means to those ends distributed the costs of such improvements in the human condition to Britain's liking. Colonial expansion was therefore not simply but another means, required under some unfortunate circumstances, to worthy foreign policy goals; but also an institutional means to guarantee that Africans and Asians paid handsomely for British effort. Halstead skims lightly over the surface of his subject and misses entirely powerful, if base, fiscal motives in official decisions.

Von Albertini, by contrast, presents English readers with a monumental comparative study of European colonial administration, economic policy, and Afro-Asian nationalism. Translated from German with chapters on German and Portuguese Africa by Albert Wirth, this is the most comprehensive account of colonial regimes ever written. Its 500 pages are devoted roughly equally to Africa and Asia. It covers all the classic literature on each area, as well as the most important scholarly literature on the themes of colonial policy, economic development, and nationalism written through the mid-1970s. The massive bibliography is a bit less useful than it might have been to teachers, because many entries appear in German when English editions exist. But that is a petty quibble with a book in which readers will find material sufficient for a B.A. in comparative colonial history.

Comprehensive coverage is achieved at the expense of innovative historical analysis. To weave together so much secondary material has required von Albertini to pursue only the most pervasive common themes in the literature. The interpretive framework he adopts thus employs the lowest common denominator of twentieth-century historical and social science: modernization theory. He considers colonialism as a modernizing and developmental force in Afro-Asia; he treats data and arguments pro and con. He assumes throughout the book that nationalism is a cultural constant, always present in any society, waiting to be expressed and realized in any colonial situation, so he can compare forms of nationalist expression across contexts, with a sense of their progression toward independence. These are approaches that have been superceded in the last decade, and historians will find much that is dated in von Albertini's analysis.

We will forever be in von Albertini's debt for having compiled and analyzed so keenly so much literature—the legacy of generations: conventional wisdom, statistics, policies, and scholarly controversies—concerning the whole of the world of twentieth-century colonialism. His own moderate yet penetrating conclusions give the book a masterly finish. The cumulative thrust of the volume is not in the end simply encyclopedic: von Albertini ends by taking the whole colonial world into view and highlighting its major moments and contours. In doing so von Albertini stresses two eras that historians of each world era have increasingly emphasized as critical in the course of colonialism, World War I and the Great Depression. This book is a splendid achievement that consolidates knowledge and looks to the future.

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HAMMERGREN, LINN A. *Development and the Politics of Administrative Reform: Lessons from Latin America.* Pp. xvi, 213. Boulder, CO: Westview Press, 1983. Paperbound, no price.

An AID (Agency for International Development) expert with field experience in Latin

America, Hammergren focuses on the failure of administrative reform to take hold. This is a failure due as much as anything to the neglect of political factors. What lessons can be learned form the experience—in the 1960s and 1970s—of Peru, Venezuela, and Colombia, Hammergren's cases as prototype developing nations?

The book is an important contribution to the growing body of literature that acknowledges the limitations of a purely "technical," or apolitical, approach to problems of administration. Hammergren defines reform as the conscious general improvement of administrative performance initiated, implemented, and overseen by specialized agencies. This, she argues, is a value-laden process and an example of the perhaps ill-suited transfer of concepts from developed to developing nations. Though not originating within the countries studied, reform does become part of the indigenous process.

The volume is crisply written, well organized and documented. The theoretical part is complemented by three case studies. The nations selected share important characteristics, for example, regional differences and rapid urbanization, as well as some administrative features, such as the large, centralized governments.

Three groups of actors are involved in each nation case: reformists, politicians, and bureaucrats. Each story gives preeminence—and in part blame—to one: in Peru to the reformers in the saddle but isolated; in Venezuela to the bureaucrats who came to dominate because reforms proposed were unrealistic; and in Colombia to the politicians who overviewed the process but at a cost of power dispersion.

Successful design and implementation, Hammergren concludes, requires the inclusion of all three groups—politicians, experts on reform, and bureaucrats. Neither the comprehensive approach nor the pragmatic approach alone will produce effective reform. Pragmatic change, within the context of a long-term or comprehensive plan, is required. In terms of the policy process, Hammergren suggests encouraging the development of implementable policy by persuading reformers to work within existing constraints and attempt to influence external conditions and so extend the limits of what can be done. The policymaking process for reform should also be linked more closely to policy and political values. She suggests that highly specific, narrowly targeted projects—with strong, if narrow, support bases—are most likely to be implemented.

The case studies show that independent centralized agencies remain too isolated to gain support or to uncover the real obstacles to implementation: reform is best carried out through existing structures and ongoing programs.

While Hammergren's treatment—case studies, literature review, and analysis—is thorough and competent, it might be worthwhile to link the study with two other perspectives. The first is to relate policy variables to implementation, rather than to consider them as basically dualistic. Recent writings integrate three levels of planning "policy, strategy and operations." Strategic planning—for example, including the stakeholders—offers a process for integrating policy and implementation. The second is the literature, rooted in Lewin's theories of action research—further developed, for example, by Trist and Emery—and leading to the design of processes to cope with political constraints inherent in social change. Could not development reforms be achieved, especially in the middle ground between formation of policy and implementation, through action research, in a co-learning mode?

The treatment of organization variables is limited: creation of special independent agencies versus the use of existing agencies. There is a whole literature on the underlying issues of control and coordination and the means for coping with conditions where control is not possible. Alternative ways of perceiving and coping with the problem have been suggested where traditional control is not possible, for example, networking, management of environmental relations, interorganizational relations, and coordination as influence. Such approaches have been applied to the development process as well.

Such extensions of the analysis and recommendations should not negate the general thrust of Hammergren's work. Her work should provide substantial grist for the mill of development reform.

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IRONS, PETER. *Justice at War: The Story of the Japanese American Internment Cases.* Pp. xiii, 407. New York: Oxford University Press, 1983. $18.95.

Peter Irons has provided a brilliant climax to a long series of studies of the Japanese relocation of 1942 which have shown it to have been unnecessary, unfair, illegal, and unconstitutional. Little protest was raised at the time, and the wartime courts, up to and including the U.S. Supreme Court, failed to question the legality of the actions of the Western Defense command in rounding up all persons of Japanese ancestry—alien and citizen alike—in West Coast states and relocating them to internment camps in interior America. But beginning with Eugene V. Rostow's study of "The Japanese-American Cases—A Disaster," (*Yale Law Journal*, June 1945), a steady stream of critical studies has elucidated various aspects of the issues involved.

As a lawyer, Irons wanted to find out why the American justice system could fail so completely in the Japanese-American internment cases, wherein not only Japanese aliens but American citizens of Japanese ancestry were blatantly discriminated against. As a legal historian he was especially interested in discovering how some 40 lawyers involved in the relocation reasoned about it. What he found was a "legal scandal without precedent in the history of American law. Never before has evidence emerged that shows a deliberate campaign to present tainted records to the Supreme Court." Not only did government officials and government lawyers fail in their duty as professionals, but defense lawyers and even the American Civil Liberties Union do not emerge unscathed from this examination. "Watergate Hadn't Happened Yet" is the title of his concluding chapter, but the Japanese American cases were clearly a precedent for the sort of cover-ups that became notorious during the Nixon presidency.

As part of his research, Irons interviewed as many of the wartime participants in these decisions as he could locate over 30 years later and he considered the postwar confessionals of others. Many of them, especially Justice Department affiliates, including Attorney General Francis Biddle, confessed to regrets at their actions or inactions on the cases. And Irons, becoming thoroughly convinced of the unrighteousness of the relocation, gave legal assistance to suits that ultimately—in 1983—led to the Supreme Court's vacating the convictions of Fred Korematsu and two others convicted during the war of violations of the legalized apparatus of relocation.

Yet, as John J. McCloy and several other key supporters of relocation in 1942 were still arguing as late as 1981 that it was necessary and even justifiable in the climate of the times. Irons's legal case against them is ironclad, but history is a wayward muse, and the assiduous research of John Stephan, published as *Hawaii under the Rising Sun* by the University of Hawaii Press in 1983, might give these die-hard constitution violators a small iota of support. Stephan gives evidence to show that many of Hawaii's Japanese population, especially the first generation—*issei*—who were ineligible for American citizenship hoped and expected that Japan would win the war and that some military leaders and civilian planners in Japan assumed that Japanese Americans of whatever generation would assist in a projected Japanese invasion and takeover of Hawaii.

Justice at War is a brilliant and—probably—definitive study of the legal and indeed illegal aspects of the Japanese-American internment cases, showing in glaring relief the frailties and inadequacies of our legal system and its practitioners, especially in wartime. And its victims deserve not only

exoneration but suitable compensation. But history must also record that there was some ambivalence in the Japanese-American situation—not nearly enough to justify the mass relocation that took place, but perhaps enough partially to explain it, and certainly enough to argue that no ethnic minority should be so circumscribed in its place in American society as to have cause for alienation from our noble experiment of democracy. The only hero of Irons's study, Fred Korematsu, is a case in point. An uncomplicated welder who defied evacuation orders because he wanted to live a normal American life, even underwent plastic surgery to alter his Japanese appearance. How sad it all was.

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ISHIDA, TAKESHI. *Japanese Political Culture: Change and Continuity.* Pp. xvii, 173. New Brunswick, NJ: Transaction Books, 1983. No price.

These eight essays, published by a distinguished political scientist at the University of Tokyo, are grouped around three themes: sociopolitical elements of Japanese modernization; Japan in comparison with the West; peace and how to attain it. Ishida was profoundly influenced by the horrors of Japan's participation in World War II, emerged from that ordeal confused and shocked, and sought relief in social science studies to find answers and give his life meaning. He began publishing in 1954, and his works range from political history, modern politics, interdisciplinary studies on group interest politics, and political culture to the peace movement.

These essays show an inquiring mind, but one that approaches problems in a mechanical, categorical way. In tracing Japanese modernization from the 1870s to 1945, for example, Ishida identifies several key traditional values that became mixed with new ones based on social Darwinism. He also outlines key private and public organizations that played a critical role in shaping modern development. This same schema is used to trace change since 1945, concluding with an assessment that while Japan today has more freedom of opinion there are still powerful groups dominating society that are characterized by bribery and corruption.

Ishida neatly summarizes Japanese scholarly interpretations of the rise of fascism in the 1930s and introduces views of his own. He sees that period as a gradual institutionalization of group and individual anxieties by which the state created new associations and organizations to subordinate people, thereby stifling criticism and strengthening dependent subordination throughout society. Any accumulating aggression was then released through the wars Japan launched in China and, later, throughout the Pacific.

In his essays dealing with peace, Ishida identifies with those groups and their activities opposing any state effort to build up Japan's self-defense forces. Referring to opinion polls and popular protest over the years, Ishida sees the majority of Japanese people vigorously opposed to any revision of the Constitution. But Ishida does see complex, new changes in the 1970s that will have to be resisted. More important, he contends, are ideas. He concludes on the wistful note that "what is important is to find a creative idea that will free us from the fixed idea that a stronger military force will provide greater security."

Ishida typifies that moderate, left-of-center, intellectual scholar in Japan who deserves to be seriously read for his wide-ranging and incisive views. Yet he also represents so many intellectuals in Japan today who are unable to chart a clear road that outlines how Japan can and should cooperate with leading Western democracies to preserve the best of all of our civilizational values.

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JACOBS, IAN. *Ranchero Revolt: The Mexican Revolution in Guerrero.* Pp. xxii, 234. Austin: University of Texas Press, 1983. $25.00.

Ian Jacobs's book is a painstaking reconstruction of the political history of Guerrero between 1867 and 1940. With its regional focus and extended time frame, the study adds to an expanding catalog of important new scholarship that challenges earlier views of the Mexican Revolution. In this regard, David C. Bailey's "Revisionism and the Recent Historiography of the Mexican Revolution," in volume 58, issue number 1, of the *Hispanic American Historical Review*, is a relevant piece.

Jacobs argues that the Revolution

> imposed on a reluctant peasant society a dynamic, modern nation-state dedicated to, indeed obsessed with, the development of a strong capitalist economy (p. 167).

His account centers on the political transformation of the Figueroa brothers, a family of *rancheros*, small property owners and businessmen from northern Guerrero. In 1911, the Figueroas emerged as local leaders of the antireelection campaign of Francisco Madero, and, as the Diaz regime crumbled, were rewarded with state offices. When Madero fell to Victoriano Huerta, the balance of power in the state shifted to rival factions who, between 1913 and 1919, courted the influence of the surging Zapatista movement. The Figueroas, who opposed the *agraristas*, bided their time, establishing credentials with Venustiano Carranza. When the Carrancistas moved into Guerrero in 1919, Francisco Figueroa became provisional governor. Once an opponent of federal control of state and local government, he returned as an agent of a new national political apparatus.

In 1923, Figueroa supported Adolfo de la Huerta's revolt against President Obregon over the issue of agrarian reform. When the revolt failed, a new generation of *agraristas* took power in Guerrero. In perhaps his best chapter, Jacobs shows how they manipulated the distribution of *ejido*—public land—entitlements to divide and weaken local interest groups and to create a new system for extending federal political patronage.

Jacobs provides a detailed, thorough history of the shifting ties between state and national interests in Guerrero. For the specialist, this book is required reading; others will be interested in his central thesis that the Revolution was less a movement for social justice and more a part of a prolonged process of centralization that began with the liberal reforms. These readers will be disappointed that Jacobs's analysis of contending political ideologies is so very brief and will learn little about how national political groups actually recruited and organized local support.

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LAU, SIU-KAI. *Society and Politics in Hong Kong.* Pp. x, 205. New York: St. Martin's Press; Hong Kong: Chinese University Press, 1983. $25.00

As a colony with a high level of political stability, postwar Hong Kong appears to be an anachronism. Moreover, the usually destabilizing element of rapid economic growth does not create political conflict. The reasons for Hong Kong's remarkable political stability form the organizing focus of this volume by Siu-kai Lau, who is a researcher at the Chinese University of Hong Kong.

His explanation for this stability is that Hong Kong is a "minimally-integrated social-political system." It is a situation that in part is deliberately created by the government, which defines its role narrowly and whose links with the Chinese community, such as political parties and politically active individuals and organizations, are weak or nonexistent, leading to the government's relative isolation from that community. Most interesting is the fact that this precludes political participation at a time of rapid economic development—a situation that would usually lead to instability. In fact, this is not the case because, as refugees from the main-

land, the Chinese in Hong Kong tend to be apolitical, equating politics with instability. In addition, in keeping with the economic orientation of Hong Kong, which emphasizes material values and viewing the economic future optimistically, the Chinese community lacks the sharp class antagonism that serves to dampen political activity.

In my reading of this volume, I have both a question and an observation. First, what were the reasons for the riots Hong Kong experienced in the mid-sixties? Lau alludes to these as non-system threatening, but I would have liked an explanation for them.

Second, it would have been interesting to have Lau speculate on how the reversion to Chinese sovereignty in 15 years might affect his variables. The political uncertainty that this event creates must have systemwide effects. For example, last year the Hong Kong dollar fell 21 percent in relation to the U.S. dollar, and this was attributed to the political uncertainty. If one of the reasons for Hong Kong's stability is its dependence upon the belief that the economic situation will continue to improve for the absolute benefit of all, what does the prospect of a transfer of sovereignty to a government based on socialism do to these expectations and consequently on predictions of continued political stability?

Lau's assertion and his marshaling of evidence are carefully constructed and based largely on survey research conducted by him and others. In short, this is a book which goes very far to explain the political stability of Hong Kong in the postwar era and adds to our knowledge of the process of modernization, and it does so in the best tradition of social science research.

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MORTIMER, EDWARD. *Faith and Power: The Politics of Islam.* Pp. 432. New York: Vintage Books, 1982. No price.

This is among the more satisfactory of the many books that have appeared recently on Islam as a political force in the modern world. Mortimer, a journalist who since 1973 has been writing about the Middle East for *The Times* of London, was prompted by the Iranian Revolution to write this book.

After a lengthy and important unit on historical background, Mortimer examines the use of Islam in the recent political history of six Muslim societies: Turkey, Saudi Arabia, Pakistan, the Arab Middle East—especially Egypt—Iran, and Soviet Central Asia. These societies were selected for analysis on the assumptions that "a modern Muslim state has either to choose between Islam and nationalism or to find some synthesis of the two" and that these particular examples best illustrated the variety of ways these choices have been manifested.

This case-study methodology served Mortimer well and reflected his correct assumption that Islam, no uniform monolith, acquires quite different coloring in various social contexts where it is shaped by differing factors of geography, history, social structure, and so forth. This nonnormative approach to a subject that many journalists approached normatively during the hysteria of the Iranian Revolution is most welcome indeed. A second major strength of the book is Mortimer's humble and sympathetic approach to his topic. He takes care to define his own religious orientation—Anglican—and at all times avoids judgmental positions about Islam and Muslims. Third, while not pretending to break new ground in terms of using primary sources, Mortimer makes excellent use of reputable secondary sources, effectively synthesizing information from them and offering fresh insights.

On the other hand, Mortimer seems too quick to compare or even to equate Islamic categories with Christian or British categories. Thus Mehmet Akif is the Miles Coverdale of the Turkish reformation, the Saudi

imam and Al Shaikh compare with the king of England and the archbishop of Canterbury, respectively, while Shah Waliullah is said to have anticipated Karl Marx, Adam Smith, Henry George, and John Locke. Second, much important information presented in the book is not documented. This perhaps reflects Mortimer's journalistic orientation, as does the book's elitist orientation toward the subject. Focusing almost exclusively on intellectuals and politicians, Mortimer seems to assume that Islamic history is what the elites do. He fails to look at society as a whole or to analyze political power in terms of the interplay between the constituent units of any particular society.

Nonetheless, the book is smoothly written, well-organized, and timely.

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SCHOULTZ, LARS. *The Populist Challenge: Argentine Electoral Behavior in the Postwar Era.* Pp. xiii, 141. Chapel Hill: University of North Carolina Press, 1980. $9.95.

"The basic argument [of this book]," Lars Schoultz writes,

> is that political conflict in contemporary Argentina is rooted in an unresolved—and perhaps unresolvable—conflict between two strongly opposed views of the appropriate social structure for Argentina, often expressed as a conflict between two rival economic polices: the *liberalism* of the British Manchester School variety versus . . . *national populism.*

In fewer than 100 pages of text, Schoultz elaborates his argument through ecological analysis of voting data, secondary analysis of survey responses, and historical interpretation.

The book has several strengths. It is elegantly written. One does not experience here the dull pain that often accompanies social science prose. It is handsomely produced, at a reasonable price. Methodologically, it is sound.

There are also problems. The most obvious is the unlucky timing of the book. It was published in late 1983, just as the Radical party defeated the Peronists at the polls. Schoultz strongly implies that such an outcome, signaling not just a break with the past but also a serious move toward democratization, was not in the cards.

Whatever his prophetic failings, Schoultz's pessimism is neither idiosyncratic nor completely unjustified. Guillermo O'Donnell and other leading scholars of Argentine politics have shared his gloom. The spectacle of Argentine public life may be one of the least *simpático* on the continent, a situation made all the more morbid when contrasted with the physical wealth of the country and the quality of its human capital. As a glance at the body count suggests, it has been common in Argentina to kill for an idea. Combine this with a penchant for passive self-criticism, an overweening nationalism exacerbated by isolation, streaks of anti-Semitism, and a regard for fellow Latin Americans as monkeys, not to mention the sorry state of much of the popular culture, and Brazilians—if not Brazil—come out charming, practical, and humane by comparison.

In retrospect, a consideration of two elements might have helped turn an important monograph into a major book. First, Schoultz presents little in the way of cross-national comparisons. For example, systematic speculation about why the Peronist version of populism, and the reaction to it, took such a vicious turn, as compared to the milder variant associated with Vargas in Brazil, would have been helpful. Argentina, along with Burma, Albania, and assorted other inner kingdoms, may require a branch of political science all to themselves. But Argentine exceptionalism is at least as much a tiresome myth as it is historical fact.

Second, greater theoretical attention might have been paid to Argentina's potential for democratization. This is not easy, given the runic and self-indulgent drift of much of the literature in this field. But it would almost certainly have been worth a try, especially since in his other writings Schoultz has demonstrted a grasp of such

matters. Analysts must come to terms with the difficult-to-model processes of political learning that may take hold in countries—not only Argentina but also Spain—with hideously polarized pasts.

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WATERBURY, JOHN. *The Egypt of Nasser and Sadat: The Political Economy of Two Regimes.* Pp. xxiv, 475. Princeton, NJ: Princeton University Press, 1983. No price.

Waterbury's book bears the subtitle *The Political Economy of Two Regimes.* His main concern is with shifts and counter-shifts in economic policy, with questions of power, motives, and beneficiaries. He is far less concerned with evaluating the wisdom of policy choices, with identifying lessons from Egypt's developmental experience, or with offering economic prescriptions for Egypt's future.

Because of the nationalization of the industrial sector and the control of much of the agricultural sector, economic decision making in Egypt has been largely the story of governmental decision making. In his detailed review of 30 years of policy making, Waterbury is primarily concerned with two questions. First, were the Nasser and Sadat regimes the representatives of particular class interests or were they largely autonomous agents? And second, to what extent were the regimes the captives of the economic and geopolitical interests of the Soviet Union or the United States? Waterbury argues, convincingly, that Nasser and Sadat exercised considerable autonomy, both internally and externally, and with regard to both domestic and foreign affairs. Indeed, it sometimes appears as if the major decisions—nationalization of industry, redistribution of land, turning toward the Soviets, expelling the Soviet advisers, liberalization of the economy, making peace with Israel, and aligning with the United States—were essentially decisions made according to the will of the single person on top. The story is one of a revolution made by mid-level officers, not acting to promote the interests of any specific economic class, operating without well-defined ideology or policy outlook.

Yet, for all the metaphysical freedom that this picture of Egyptian decision making communicates, decision makers appear trapped, unable to confront decisively Egypt's problems. The land redistribution does not end rural poverty; the population continues to grow at a rate that provides for a doubling every 25 years; Egypt becomes highly dependent on food imports; the nationalized public sector faces major inefficiencies; corruption and pettiness seem omnipresent; limited efforts to move toward a market-oriented economy produce riots and growing inequality.

One does not quite know how to take stock of the Egyptian situation. Sustained by Suez Canal revenues, remittances from Egyptians working in other Arab countries, its own oil exports, and massive amounts of foreign aid, it seems to be a country that has, so far, muddled through:

—It has had a significant redistribution of land.
—It has not seen the worst of internal repression.
—It has avoided civil war.
—Religious fanaticism has not taken over.
—It has avoided the austerity measures recommended by the International Monetary Fund.
—It has avoided massive unemployment.
—It has maintained significant growth of real per capita income.
—It has, for a decade, avoided war.
—It has obtained tens of billions in foreign aid.
—It has avoided becoming locked in a client-state position.

Can this continue? Waterbury, like many observers, recognizes the precariousness of the present situation and the growing problems Egypt faces, but he offers no crystal ball for the future.

With Egypt it is difficult even to grasp the basics of its past experience. The most important area is the extent to which Sadat's infatah policies have actually resulted in a major shift away from the socialism of the Nasser period. What has the impact actually been? Has the increase in inequality really been significant? To what extent has it been compensated for by expanded subsidization of basic commodities? How important has the growth of the private sector been? Most large industry still remains under state management. True, there is a new class that moves easily between public and private spheres, but ownership remains primarily public. Waterbury states, "Egypt has returned to something resembling capitalist economic orthodoxy." But many would feel that is an overstatement.

Under the new laws of the Sadat period, joint public-private projects were not subject to profit sharing, worker representation on management boards, or restrictions on management control of labor. But how significant had the profit sharing and representation requirements been in affecting the levels of income or the nature of labor conditions within the public sector? Waterbury does not say, but one suspects that they never fully achieved their expected potential. Today, redundant workers can be dismissed more easily, but massive redundancy remains. The laws have been changed to encourage foreign investment, but the investment itself has not materialized. The laws have been changed to permit the selling off of the public sector, but it has not been sold. Waterbury notes that the erosion of the public sector has not been extreme, but he discerns a possible acceleration in the future. As of today, it has not happened; how the story will end is not known.

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NOTE: This review does not necessarily reflect the views of the Agency for International Development.

WESSON, ROBERT. *Democracy in Latin America: Promise and Problems.* Pp. xii, 201. New York: Praeger, 1982. Copublished with Hoover Institute Press, Stanford University. No price.

FOXLEY, ALEJANDRO. *Latin American Experiments in Neoconservative Economics.* Pp. xv, 213. Berkeley: University of California Press, 1983. $28.50.

The volumes by Robert Wesson and Alejandro Foxley, although differing in many respects, show some similarities in a somewhat deprecatory bias toward things Latin American. Both assume, unconsciously in part, that the political institutions—and the free-market economy—of the United States are models for Latin America, and that the history of the United States supports this view. Lip service is paid to the example of Western Europe, but the reader is constantly led to make the comparisons with the United States.

Robert Wesson has written extensively on Eastern European affairs but has recently turned his attention to Latin American studies. Despite its rather obvious bias, his book is a significant addition to the all too scanty literature in English on the Latin American political experience. Controversial in its interpretation, it is a book to provoke serious thought, as it studies the contradictions between democratic and authoritarian tendencies in the nations of the area. Wesson reviews the problems of political structure, sometimes seeming to equate structure with political stability. The emphasis of his study is on the years since 1930, but with an introductory chapter entitled "The Backgrounds." Subsequent chapters are entitled "Democracy and Dictatorship," "Democracy and Its Problems," "The Rise and Fall of Populism," "The Third World and Latin America," and "Conclusions." Wesson has relied mainly upon secondary works, too often uncritically. Later chapters reveal some erosion of the harsh judgments in earlier chapters, at times admitting that democracy may have more than one model, that the model may vary in different cultures and under different conditions.

Alejandro Foxley gives us a critical review of neoconservative economic policies and theories in Latin America during the past two decades. Despite the implicit assumption of a free-market economy, he gives a largely unbiased discussion of the experience of Brazil and the nations of the Southern Cone. Part 1 of the book examines "Radical Conservative Economics in Practice." Chapter 1 analyzes the character of neoconservative economics, discussing its monetarism as well as its tendency in recent years to move toward a radical view of conservative structuralism, one that in a sense usurps the leftist structuralism. Subsequent chapters in part 1 study the changes in Brazil and Chile in the 1970s and early 1980s.

To me, the most interesting passage in this first part of the book occurs on pages 103-9 of chapter 4. There the author summarizes the "seven modernizations" carried out in Chile. These are changes in seven areas: labor policy, social security, education, health, regional decentralization, agriculture, and justice. Obviously these modernizations are a restructuring of the economy and the society in accordance with free-market and individualist economic lines. Thus changes in labor policy limited unions to single enterprises. Social security was revised to place the accumulated funds in private hands for investment.

In part 2—chapters 5-8—Foxley analyzes the evolution of monetary stabilization policy in Chile, Uruguay, and Argentina, with incidental reference to Brazil. Recognizing that as early as the 1950s the Milton Friedman theory of economic stabilization through monetary control had been accepted in these countries, Foxley examines the subsequent evolution of this policy to include other elements. The discussion is too technical to be easily summarized here, but it will interest economic theorists. It notes particularly the conflict between monetary control in the original sense and structural changes sought in the interest of a free-market economy and an endogenous money supply. Foxley concludes that the claim that monetary reform is neutral is "a weak one." "Empirical evidence shows that stabilization programs were systematically accompanied by non-neutral distributive effects, that is, by income and asset concentrations toward high-income groups." A more basic conclusion appears in his statement that "a final lesson to be learned from neoconservative experiments in Latin America is that economic stabilization cannot be separated from long-term changes and policies."

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COBB, RICHARD. *French and Germans, Germans and French: A Personal Interpretation of France under Two Occupations, 1914-1918/1940-1944.* Pp. xxxiv, 188. Hanover, NH: University Press of New England, 1983. No price.

This is a strange book, one that can be entertaining, thought provoking, and infuriating, often all at the same time. It is fun to read, yet at times the style becomes needlessly convoluted because of Richard Cobb's penchant for using ellipses and parentheses, sometimes both in the same sentence. In his earlier writings, Cobb used this technique to provide information or specific examples; here he more often than not renders judgmental asides.

The title is somewhat misleading. Only one brief essay deals with the Départemente du Nord under German occupation in World War I. Yet one of the book's main attractions is Cobb's analysis of the techniques of accommodation acquired by both *occupants* and *occupés* during the four grim years they had to survive together. His comments set the stage for a subsequent comparative overview of the effect of German occupation in the same region during World War II. Because of their previous World War I experience, Germans and French knew what to expect and as a result expected little from each other. The North paid little heed to

Vichy or its propaganda. Cobb suggests that the experience of two extended enemy occupations may have contributed to the historical sense of separation from the rest of France felt so keenly by the northern provinces.

The major essay deals with collaborationism in Paris during World War II. Cobb, whose main publications have dealt with issues of social history during the French Revolution, devotes his attention to the day-to-day relationship between groups and individuals, to what it was like to try to live and get along in Paris under occupation. In doing so he successfully illustrates the thin and often ill-defined line between collaboration and coexistence, between resistance, survival, and cooperation, and how often these elements accidentally blended together in the lives of both French and Germans. He is concerned with people, not institutions, and the emphasis is thus directed away from those aspects of Vichy France and German occupation that have been studied most closely by others: His commentary and analysis can well serve as a starting point for future, more detailed research on the subject.

In his final chapter on continuity and discontinuity in Paris life during the occupation, Cobb emphasizes the attempts by the German administration to create an atmosphere of continuity in terms of life before and after the occupation, and the myriad opportunities this provided for business and arts as usual. Yet in his discussion of the appeal of Nazism, Cobb is prone to statements that go beyond an acceptable level of professional responsibility. He asserts that collaboration was especially appealing to homosexuals and pederasts because the Nazi regime's emphasis on male knobby knees and short shorts

> was bound to raise secret hopes, even if these were not openly expressed. . . . Perhaps homosexuals will always welcome some dramatic turn in national fortunes or misfortunes as an opportunity to move in and secure the best jobs (p. 107).

Again:

> Nothing is more revealing of the total indigence of fascism and collaborationism than a language constructed for cretins and scoutmasters (p. 157).

Or later:

> Of necessity . . . [the collaborationist] . . . must have been either an amputated or uncompleted individual. Goodness, sympathy, love, charity, compassion and doubt would be among the missing parts. Intelligence would rarely be there, save in a warped and twisted form (p. 161).

In the introductory essay to his book *A Second Identity: Essays on France and French History*, Cobb recounts an extremely unpleasant prewar experience with the Austrian police, an experience that among other things led to his having "retained to this day the strongest dislike . . . for people who dress up in fancy braces, leather shorts and white socks." When coupled with his later statement that "I write history subjectively and often, no doubt, with prejudice and that I do not believe it is possible to divorce history from experience," one obtains, perhaps, some keys that help explain why Cobb's most recent work is both so good and so bad, so challenging and so irritating.

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DYADKIN, IOSIF G. *Unnatural Deaths in the USSR, 1928-1954.* Translated by Tania Dereguine. Pp. 63. New Brunswick, NJ: Transaction Books, 1983. $6.95.

This is an attempt to measure the cost in human life of the Stalin regime. The period covered, 1928-54, starts with the First Five-Year Plan, of which the main element was the forced collectivization of agriculture and the consequent massive famine. Some millions of peasants were sent to forced-labor camps, to be joined shortly by dissidents from every sector of Soviet society and by sizable proportions of several minority peoples of the USSR. In all camps the grossly inadequate food ration was cut for any prisoner unable to complete his work load. Red Army soldiers who had been taken prisoner during World War II were regarded as trea-

sonable for having surrendered; sent back home, they probably formed the major component in the postwar repeopling of the camps. Stalin died in 1953, and by the next year a partial and temporary relaxation was under way.

Dyadkin, a geophysicist, wrote this short book in 1976, and for several years it was circulated in manuscript form. In 1980 he was charged with defaming the Soviet state and sentenced to three years in a Siberian camp, where he is today. Working exclusively from published data, Dyadkin used several parallel methods to estimate the depletion of the Soviet population. He begins with a critique of an official analysis, which ascribed the loss of population exclusively to the two world wars and civil war following the Bolshevik coup. He then proceeds chronologically, offering plausible estimates of the number killed in each period of Stalin's rule. Those killed in World War II can be located in time fairly accurately and thus separated from those who died during peacetime. The slaughter during the 1930s, for example, can be estimated from the 1939 census, two years before the USSR was invaded by German armies. Since almost all camp inmates were male, their deaths showed as skewed age-specific sex ratios in each of the subsequent enumerations.

Starting from 1925, the depopulation by Dyadkin's calculation amounted to 3 million by 1930, 14 million by 1935, 20 million by 1940, 70 million by 1945, and 78 million by 1950. These figures, obscene as they are, are conservative; other reputable analysts have arrived at considerably higher figures. The main reason for such difference is that Dyadkin has endeavored to avoid any hyperbole, presenting minimum estimates from each reconstruction. Though he is not a demographer, his analysis is highly professional, and it can be strongly recommended as a short introduction to its unsavory and horrifying subject.

So large a hole blasted through the center of a country's work force, who in a demographic context would also be the fathers of the next generation, affects every detail of a society for decades thereafter. The chief administrator of the 1937 census was shot for plotting—in the words of *Pravda*—"to cut the population of the USSR," and the results of the census have never been made public. Before he was eliminated, he noted all too faithfully the import of Soviet population statistics: "The census will be of great international significance, for its results will attest to the entire world the immense achievements of socialism in our nation" (*Pravda*, 23 December 1936).

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KENNEDY, PAUL. *The Rise of the Anglo-German Antagonism, 1860-1914*. Pp. 616. London: George Allen and Unwin, 1980. $60.00. Paperbound, $19.50.

The Rise of Anglo-German Antagonism is an extraordinary piece of work, pathbreaking in its approach, beautifully written, and sensible and balanced in analysis. It is not that the book's conclusions will shock anyone. The idea that the stunning shift in the balance of economic power between Britain and Germany generated ambitions, capabilities, and anxieties that increasingly strained Anglo-German political relations is common enough in the historical literature. What is impressive here is the mass of fascinating detail, especially the material drawn from hitherto unexploited archival sources. The story is unusually complex, but the various strands are woven together skillfully. Thematic analysis, where the attitudes of different social and political groups are examined in a systematically comparative fashion, alternates with historical narrative, but a sense of focus is never lost, and Kennedy's unfailing intelligence sustains the whole difficult undertaking. A compelling picture emerges of two societies moving toward conflict.

What is remarkable is the degree to which the German challenge to England was deliberate and self-conscious. Many in the Ger-

man elite really knew what they were doing, and in assessing blame Kennedy assigns them the major share. Sometimes this argument is pushed a little too far for my taste. Kennedy, for example, has Bismarck deliberately "digging a ditch" between Britain and Europe. Bismarck had in fact used that phrase in a conversation with the Russian diplomat Saburov. In defending the Austro-German alliance, he had referred to "digging a ditch" between the Western powers and Austria; the essence of his policy was to balance between Russia and England—a game he could play with the British Conservatives but not with Gladstone. To interpret the anti-Gladstone campaign as part of a systematic and continuing effort to create a conservative alliance bloc leads Kennedy, I think, to exaggerate the depth and consistency of official German anglophobia.

Given the subject, such differences of interpretation are perhaps inevitable; indeed, a really fine work of history will almost automatically force one to rethink basic questions of this sort. And in the final analysis this is one of the finest historical works I have ever read: in this book Kennedy has shown what diplomatic history can and should be.

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PARKER, W. H. *Mackinder: Geography as an Aid to Statecraft.* Pp. viii, 295. New York: Clarendon Press, 1982. No price.

W. H. Parker's biography of Mackinder is deserving of the attention of students of geography, geopolitics, and the history of professional social science. Sir Halford John Mackinder (1861-1947) invented modern British professional geography and won a place for it in the university curriculum during the 1880s and 1890s. He was responsible for the creation of the University of Reading during the nineties and the National Savings Movement during World War I. Mackinder served as a member of Parliament from 1910 to 1922. A Conservative, he concentrated mostly on tariffs, imperial preference, and education. He served as British High Commissioner to South Russia during the Revolution and as Chairman of the Imperial Shipping Committee from 1920 to 1939.

An imperialist and imperial reformer, Mackinder hoped to bring geography to the service of statesmanship. In this endeavor he won great renown for his geopolitical concept of the heartland, first articulated in 1904. Mackinder described the heartland as the vast interior of the Eurasian land hemisphere, or world island; and he postulated that, as overland communications and transportation developed, the power that dominated the heartland would become capable of challenging the sea power of the coastland and island nations that had dominated modern history. Although Mackinder thought of himself as a geographer, it was as a geopolitician that he influenced the course of events. His influence on the *Geopolitik* upon which Hitler's foreign policy rested was strong and direct, and after World War II, his concept lay at the core of the American policy of containment.

Parker tells Mackinder's story well and with reasonable objectivity. He gives us two chapters tracing the main lines of Mackinder's life and several careers and a chapter apiece on his imperialism, pedagogy, geography, and geopolitics. The last two chapters trace the influence of Mackinder's heartland concept and examine the critiques directed at the concept. Parker never quite redresses the imbalance between Mackinder's fame abroad as a geopolitician and his neglect at home as a contributor to geography as an emerging discipline. His subject's varied interests quickly separated him from the development of the modern discipline, particularly its commitment to scientific methodologies. Parker does make the reader feel, however, that Mackinder's was a mind blessed with great energy, originality, and powers of conceptual synthesis.

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SULLIVAN, ANTONY THRALL. *Thomas-Robert Bugeaud. France and Algeria, 1784-1849: Politics, Power, and the Good Society.* Pp. 216. Hamden, CT: Archon Books, 1983. $24.50

Algeria was the first and greatest imperial venture of France after the revolution; and Thomas-Robert Bugeaud was its most successful conqueror and administrator before 1870. The means by which Bugeaud laid the foundation of French rule in North Africa—including the ruthless use of military force—and the way in which he justified his methods to critics at home have left him with the reputation of "an eternal and ferocious Rightist." William Langer's description of him—as a "fire-eating" militarist who in 1848 was "itching" to deal with "the rabble" in France as he had dealt with the Arab natives in Algeria—provides Sullivan with an example of received opinion about the marshal that needs reassessing. His study undertakes this task by giving more attention to those aspects of Bugeaud's career that have generally been neglected.

In Sullivan's view, much of what Bugeaud undertook as governor-general of Algeria from 1841 to 1847 is best understood in the context of his previous experiences and activities. Consequently, he devotes roughly half of his book to its subject's career as a Napoleonic officer; as an agricultural reformer and ideologue of peasantism; and as a parliamentary spokesman for political moderation at home and cautious continentalism abroad. Sullivan succeeds in drawing connections between Bugeaud's experiences with Spanish guerillas during the Peninsular campaign and his military innovations in Algeria. His abandonment of garrisoned strongholds in favor of mobile columns supported by well-organized supply trains enabled the French army in Algeria to take the offensive and ultimately gain the upper hand over armed native opposition. Similarly, Bugeaud's attempts to develop Algeria economically were based on conceptions of the good society, which he had already espoused as France's "leading advocate of agrarian antimodernism." They involved relocating Arabs in farming communities in order to bind them to the land, make them less aggressive, and encourage tastes that would nourish commerce with the French. These measures were augmented by efforts to colonize Algeria with French soldier-farmers and civilian immigrants from Europe in a way that served Bugeaud's anti-urban, antimodern animus as well as his security concerns. Sullivan shows that these nonmilitary undertakings were not successful: only some 11 percent of the indigenous population were ever settled even briefly in villages, and the overwhelming number of *colons* preferred to live in coastal towns. Yet he argues that much of what Bugeaud did in Algeria established the pattern followed later by French empire builders, especially Gallieni in Madagascar and Lyautey in Morocco.

Less convincing is Sullivan's interpretation of Bugeaud's metamorphosis from an apostle of political moderation in the Chamber of Deputies to a practitioner of military excess in Algeria and Paris in 1848. Sullivan explains this "substitution of violence for [the] political *juste millieu*" as a consequence of the hardening—*durcissement*—and the associated alienation from the presumably soft bourgeois values of metropolitan France, which Bugeaud and his men experienced under conditions of colonial warfare. While that may indeed be part of an explanation, Sullivan's work also provides unmistakable evidence of Bugeaud's political opportunism as parliamentary deputy during the 1830s. Moreover, that the marshal was alienated from the good society represented by Paris well before he went to Algeria is clearly demonstrated by his sincere commitment to the antimodern agrarianism he espoused so consistently. No wonder Vichyites revived and raised him as their symbol of French national resurgence. It is to Sullivan's credit that he corrected the inevitable distortions of Vichy propagandists, and that he did so in the context of a well-researched study of French domestic and colonial policies in the first half of the nineteenth century.

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UNITED STATES

ALEXANDER, HERBERT E. *Financing the 1980 Election.* Pp. xiii, 525. Lexington, MA: D. C. Heath, 1983. $34.95.

The author of three previously published works on campaign financing, Herbert E. Alexander is no stranger to the problems of financing elections and electoral reform. For this reason, any book he writes is worth considerable attention. This book is so full of analysis, data, and interpolation that it would be practically impossible for either the lay or professional community to read it without learning something about financing elections and the impact of financing mechanisms on the outcome of the electoral process.

Practically everyone in the country knew before 1970 that something was wrong with the way in which elections were financed when individuals like W. Clement Stone could contribute, as Alexander points out, "millions of dollars or a Stewart Mott hundreds of thousands of dollars" to influence electoral outcomes. But no one knew that the reforms encompassed in the Federal Election Campaign Act of 1971 and the Federal Election Campaign Act Amendments of 1974 would have the impact they did. It is not clear that we have preserved the integrity of the electoral process through these legal provisions, and that is chiefly what this book is about.

Some of the observations in the book would be revelations to most people: that total spending on the 1980 election at all levels exceeded $1 billion; that the election reforms spawned the growth of some 2551 political action committees (PACs); that the reforms the election laws created "may chill enthusiasm for citizen participation since so many campaign functions require skillful use of limited resources, and since nonknowledgeable amateurs may easily violate the law"; and that the parties who spend the most on their presidential candidates have, in the past 20 years at least, gotten them elected. These are just a few of the observations that are likely to make us want to look even more carefully at the way in which elections are actually financed.

Alexander is no alarmist. Instead, he carefully and painstakingly puts into perspective many of the problems with the election-law reforms. For example, he points out that even if we did spend $1 billion on political campaigns in 1980, we should also remember that the outcome of elections will influence how enormous amounts of money are spent: governments at all levels—national, state, county, and municipal—spent a total of $958 billion. So campaign spending amounts to less than 1 percent of the tax dollars politicians are elected to spend. I found little comfort in this perspective, however. When one considers that we spend only $181 billion on education, the spending for elections seems more frivolous. And more instructive comparisons might be sought.

This book provides a lot of tabular data. This alone makes it worth adding to one's personal library. Each table Alexander provides could be the source of hours of analysis and interpretation. For example, one interpretation drawn from Alexander's data is that conservative political action committees spent about 75 percent of all money spent by PACs. Other interesting observations one might make from the tabular data provided are

—because corporate PACs outnumber labor PACs, the former will become more powerful;

—because the number of PACs is growing, it is possible that further splintering of interest groups will occur; and

—because fund-raising activities must be targeted toward smaller donors than in the past, skilled managers of mailing lists, promotional material, copy writers, and so forth will have a greater influence on the electoral process than in the past.

This is not a book that permits easy summary. It must be read carefully, reflected upon, discussed, and debated. The reason is that Alexander has no particular point of view to push. He simply presents the data

relating to campaign financing, discusses major studies of campaign-financing laws, and suggests some of the avenues further reform might take. Through all of this, one has difficulty escaping the recommendations often made that we in America would be a lot better off if we limited the amount of time a candidate could spend actually campaigning for an office. Carter spent two to three years campaigning for the presidency. Do we really want this to become the norm? Is it not obvious that we spend too much time and too much money—even if it is only $1 billion—on political campaigning?

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BROWN, LAWRENCE G. *Politics and Health Care Organizations: HMO's as Federal Policy*. Pp. xv, 540. Washington, DC: Brookings Institution, 1983. No price.

The health maintenance organization (HMO) is one of the few modern examples of the public use of private interest. The study of the success and failure of HMOs is therefore instructive not only for understanding the future of HMOs, but for the implication of the philosophy that the public may benefit from the proper "manipulation of incentives, markets, competition, reorganization, etc. to improve an institution." There were approximately 280 HMOs in the United States, which enrolled about 4 percent of the U.S. population in 1980, when Lawrence Brown made an intensive study of the American HMO. His research reveals that the common knowledge about HMOs is often based on too few or poorly executed studies.

HMOs are complex organizations requiring the following participants: sponsors with much money, dedicated physicians, subscribers, and cooperative hospitals. HMOs may be divided into two broad groups: the prepaid group practice (PGP) and the independent practice association (IPA). The latter is basically an administrative convenience for physicians in private practice. For Brown's purposes, "HMO" is mainly applied to the PGP. Each of the participants in an HMO may benefit or lose. When all four groups benefit, the HMO is successful.

Since the Middle Ages, benevolent societies, guilds, unions, churches, and other associations have provided health care by collecting premiums from their members and paying physicians who agreed to treat their members for a fixed fee. Beginning in the nineteenth century, American companies and labor unions made similar arrangements for their employees. The best-known example of this type of health plan is represented by an HMO called the Kaiser-Permanente Medical Care Program, formed in the 1930s.

The basic motive for forming an HMO is dissatisfaction with fee-for-service medical care by a private physician, a clinic, or a hospital. Thus it may be readily understood how a discussion of the rise and current (up to 1980) condition of the American HMO must, and does, include a panoply of facts and opinions about the delivery of medicine in America to all classes of citizens. Drawing on the work of David Mechanic and Eliot Friedson—to mention the best known, but by no means all, the sources related to this topic—Brown provides a monumental discussion of modern medicine with all its achievements and problems. The problems, which are legion, do not dissuade Brown from predicting that by 1988 10 percent of the population will be enrolled in HMOs. Therefore, it becomes even more important to understand the politics, economics, and medical aspects of medical care delivered via an HMO. The best model continues to be the Kaiser groups, which have been set up in 10 or more states. The Kaiser program and two others are discussed in great detail for the positive and negative medical care experiences they reveal.

The questions that remain unanswered—because data have not been assembled nor studies designed to produce the data—include some of the most basic questions and concerns on the impact of HMOs and fee-for-service care on the health of patients

involved. Is there a measurable benefit in favor of either method of health care? The numerous dimensions required to analyze and focus on this question are well covered here. They include, What constitutes a cure? What determines the effect of treatment or its lack? What is the effect of a physician on a patient?

When it is known that scientific medicine is effective in only about 10 percent of all illnesses, a premise Brown leads the reader to accept, the great cost and elaborate bureaucracy established to deliver modern scientific medicine becomes questionable, whatever the method is used to provide the physician's service. When data are refined and scrutinized, the general assumption that HMOs provide less costly and better medical care becomes less tenable, if not untenable. Students will find many topics for doctoral theses growing out of Brown's analysis of the HMO versus fee-for-service types of medical care and it is hoped that some of these will be undertaken soon.

For those more interested in the intense political machinations carried out between 1970 and 1980 to foster federal support for HMOs, Brown provides several chapters' worth of elaboration. The HMO no longer remains an empty stereotype; it has been given a full, if not elaborate, evaluation and found to be in need of further experience and thought.

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BROWNING, ROBERT S., III. *Two If by Sea: The Development of American Coastal Defense Policy*. Pp. xii, 210. Westport, CT: Greenwood Press, 1983. $29.95

This well-written and informative book is the product of careful, thorough research. The subject is American coastal fortifications from colonial times to the twentieth century. Browning traces the military and political factors that shaped national policy, while nicely reviewing the relevant technology and the education given the military engineers who created the installations. He smoothly adjusts conclusions reached by others on several points, particularly on the role of Congress.

The book has considerable merit in illuminating this aspect of our military history, but Browning suggests its relevance for today by highlighting the frequently voiced argument that those defensive fortifications also served as deterrents. Because contemporary U.S. policy "is based on the same principle," the coastal defenses are therefore an expression of "one of the most fundamental premises in American military thought." This point is not well developed or well taken. The deterrent value of defenses is an old notion not peculiar to any national military tradition, while deterrence today derives from threats of retaliation because of the futility of defenses.

Yet the book has elements of more than historical interest, had the author more carefully chosen what to emphasize. The national system of fortifications derived from the searing experience of the War of 1812 but was never used, except against the government during the Civil War when the Confederate forts were of little value in stopping the Union navy. It was never funded to the military engineers' satisfaction, it was only slowly adjusted to technological change, and the justifications for it did not change at all.

Proponents of national fortification periodically used the media to drum up support and readily imagined threats making it necessary, partly by contemplating other states' fortifications. Naturally this threat was hard to dismiss, coming from military experts. But forts were expensive, there was doubt they could do the job—some experts said they could not—and the threat usually lacked substance. Fortifications were always endangered by obsolescence, and alternatives existed for which a reasonable case frequently was made. However, one could not just ignore the engineers, some sort of defense seemed appropriate, and spending

money was not always bad politically. So Congress spent enough—but often very little—to keep forts in existence, officials frequently questioned their utility, people often tried to develop alternatives, and the system survived while never defending anyone.

Surely much in this parallels the contemporary national experience. It is the same story of the awkward compromises and misdirected half measures that result when an entrenched bureaucracy and democratically chosen officials intersect on the thorny questions of national defense.

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ETZIONI, AMITAI. *An Immodest Agenda: Rebuilding America before the Twenty-first Century*. Pp. ix, 418. New York: McGraw-Hill, 1983. $26.95.

As usual with Amitai Etzioni's books, few readers will react neutrally or indifferently to *An Immodest Agenda*. This book is an encompassing treatment of the American condition that ranges across traditional—social science—disciplinary lines and historical periods. And, as suggested by the title, this is no disinterested attempt at description or analysis, but rather a call for action in support of which he presents an impressive array of facts and commentary.

An Immodest Agenda is divided into two parts. The first focuses on personal and social dimensions, "the hollowing of America." Here the problem is the growth of excessive individualism and the decline of both mutuality—interrelating constructively—and civility—constructively relating to community. The reconstructed essential family—mutuality—and schools that educate—community building—are antidotes for excessive individualism, according to Etzioni. Moreover, the need for mutuality and civility are necessary counters to regionalism and weakened national bonds.

According to Etzioni, the retreat to ego and the decline in mutuality and civility can be reversed by the reconstruction of the economy. Therefore, the second part of the book examines the decline of industrial America and makes a call for reindustrialization. Etzioni rather extensively discusses the elements of industrialization both in historical context—for example, growth of the transportation system—and contemporarily—for example, obsolete capital goods. Finally, he comes to the economic choices for America that he labels "projects," the production project—achievement, rationality, economic goals, and so on—or the quality-of-life project—harmony, noneconomic goals, and so forth. Etzioni says we can not have both, and our ambivalence contributes to our British, or underdeveloped, problem as well as to problems of school and home. Cautioning that reindustrialization does not mean unfettered capitalism or ignoring the needy, he unabashedly supports the production project through a series of reindustrialization policy recommendations such as more support for applied and development work. From these should come societal—for instance, school thus civility—reconstruction.

There are many idiosyncratic uses of terms and coined words in *An Immodest Agenda*. There are also some awkward and unclear sentences, a few errors—for instance, Governor Williams is still a Democrat, some rather excessive conceptualizing, and occasional assertions without documentation—for example, too many times words like "all agree" occur. The book has a troubling economic determinism with a conservative, even a romantic, bias—reconstruct the production project—notwithstanding a rather negative assessment of both the conservative libertarian "New Whigs" and the conservative authoritarian "New Tories." Nonetheless, *An Immodest Agenda* has much to say. Etzioni discusses a number of contemporary social problems, their interrelations, and their possible causes, and, unlike most social scientists, he offers many policy suggestions. Probably the book is most useful for those interested in nation or community building,

including policymakers themselves. But no one should approach it naively. The book is rather difficult to read, and the solutions are quite arduous to come by.

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GOODWIN, LEONARD. *Causes and Cures of Welfare: New Evidence on the Social Psychology of the Poor.* Pp. xviii, 199. Lexington, MA: D. C. Heath, 1983. No price.

In this monograph Goodwin astutely challenges the politically ascendant view that welfare recipients are malingerers and that government welfare support makes them so. Through an elaborate survey and interview study designed explicitly to investigate the sources of welfare dependency and measured marital instability among the welfare population, Goodwin demonstrates that "poor heads of households want to support their families through work, not through government largess" and that marital disruption results from welfare fathers' length of time out of work, their low earning capacity, and their distress over being stigmatized by welfare dependency.

Goodwin's conclusions are based on regression analysis of data derived from his elaborate panel study of almost 1900 participants in the Work Incentive Program (WIN) and the Unemployment Insurance program. Also, a series of complementary, in-depth group interviews were conducted in order to bridge explanatory gaps in the regression analysis and to enrich the interpretation. Carefully wending his way through the data, Goodwin repeatedly demonstrates how his findings rebuff conservative doctrine.

Though the reader occasionally may question whether Goodwin molds his findings into an overly consistent picture, the major conclusions are convincing and important. Welfare dependency is not caused by a preference to receive welfare rather than to work. Failure to become independent of welfare through work results from the mutually reinforcing effects of time spent on welfare and the inability to command sufficient wages in the job market. Length of time on welfare is not due to a preference for welfare but to the inability to find adequately paying jobs. Contrary to the findings of the Seattle-Denver income experiments, welfare causes marital disruption only among families in which the father rejects the idea of welfare and feels stigmatized for receiving it. In contrast to Unemployment Insurance recipients who tend to accept the idea of government support, welfare recipients evidence no such preference. Welfare recipients who were aided in finding jobs by the federal WIN program were more likely to become economically independent than their counterparts for whom no jobs were found.

Taken together, these findings provide the basis for Goodwin's concluding chapter wherein he discredits the Reagan welfare policies and argues for a shift from income maintenance to employment-based strategies. In view of the revived debate over whether low income is generated by an inadequate structure of opportunities or by the personal flaws of the low-income population, Goodwin's persuasive analysis serves as the basis for a humane recasting of income and employment policy.

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KEYNES, EDWARD. *Undeclared War: Twilight Zone of Constitutional Power.* Pp. xi, 236. University Park: Pennsylvania State University Press, 1982. $17.95

Keynes's conclusion, reached after a closely argued analysis of the constitutional history of the war powers and of the Vietnam court cases, is that the Framers' system has

not worked in today's context of guerilla warfare, but could. He focuses on the courts, which

> have acted as a midwife to the birth of constitutional dictatorship in the United States. Although the courts continue to articulate the rhetoric of constitutional limitations, the commander in chief recognizes few restrictions on his military powers other than necessity and success on the battlefield. Unless Congress exercises its constitutional authority to restrain executive power, opponents of constitutional dictatorship should not await a judicial David to slay an executive Goliath.

Keynes believes that the courts should show restraint because judges have inadequate information about military matters and inadequate control over external events, to say nothing of the federal judiciary's not being a popularly elected branch.

Undeclared War does not seriously fault the Framers for creating a "twilight zone of constitutional power" by resting presidential and congressional authority on a vague distinction between defensive and offensive warfare. It seeks instead to explain why the vacuum where "concurrent authority" exists has been filled by a de facto "national war power" controlled by the executive branch, and, above all, why the courts have been reluctant to intervene. The crucial chapters therefore describe the slow retreat from Madison's classical view that the courts, despite having the power of judicial review, should avoid all political questions. As Keynes remarks in considering the Laird cases, the Vietnam-era courts decided to adjudicate "the existence and constitutional sufficiency of congressional legislation authorizing or ratifying military hostilities" but avoided judging "the wisdom or propriety of authorizing undeclared war and hostilities."

The vantage point for Keynes is Justice Jackson's concurring opinion in the *Youngstown* case (1952). There the Supreme Court's decision to overturn President Truman's seizure of the steel mills was said not to call into question the president's prerogatives in the "zone of twilight"—Jackson's phrase—involving military, as opposed to domestic, conduct of the Korean War. To be sure, Jackson's argument that the president and Congress should be presumed to have acted in concert came under increasing challenge in the Vietnam period. Yet Keynes observes that even in *Holtzman* v. *Schlesinger,* which questioned whether Congress had given implied consent in Cambodian operations undertaken after a termination of the U.S. role in Vietnam, "the circuit court declined the opportunity to second-guess the President's military judgment," thereby demonstrating that "in a constitutional democracy the courts are powerless to decide questions of war and peace." Hence Keynes's contention that Congress must redress whatever imbalance exists.

At issue is what Keynes calls the "threshold theory" of the later Vietnam cases, in which, because of the scope and duration of undeclared hostilities, federal judges sought "to determine the constitutional adequacy of congressional support for the President's military conduct." Keynes states explicitly that the threshold theory arises from concern over "insurgency warfare and the imperial presidency" and applies it to a list of nine military and diplomatic actions. "Covert intelligence operations" are recognized to be within the president's authority, for instance, and "publicly declared wars" within the Congress's. But such actions as "deployment of armed forces in hostile situations," "limited military interventions," and so forth fall in the disputed area. Keynes then says that

> by ordering events according to their magnitude one can develop empirical measures for determining the zones of exclusive and concurrent power. Once the boundaries of these zones have been established, Justice Jackson's criteria in *Youngstown* can be employed to determine the scope of judicial inquiry in separation-of-powers controversies.

In short, Keynes is urging Jackson's prudent and pragamatic course on the judiciary when it is forced to move into the zone of twilight by disagreement between the political branches.

Keynes's empiricism extends to his conclusion, where his plea that "the nation should not wage a long, protracted, undeclared war without fundamental prior agreement between Congress and the president

and broad, sustained public support for the government's decision" is balanced by an equally cogent plea for recognizing the security problems posed by guerilla warfare. Many readers would no doubt like to know his views on the constitutional implications of, say, launch-on-warning strategies with targets pre-set "by the President" on Pentagon advice: Is such a strategy a return to the British Crown's prerogative of "external sovereignty" rejected by the Framers? Nevertheless, Keynes has amply fulfilled his promise "to examine dispassionately the judiciary's role in adapting the Framers' intentions to the exigencies of modern warfare." He concludes that judges will and should confine themselves to the somewhat expanded constitutional role of deciding if Congress has concurred in the president's military decisions and leave it to Congress to tame a president who may have gone wild.

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KIEWIET, D. RODERICK. *Macroeconomics and Micropolitics: The Electoral Effects of Economic Issues.* Pp. 176. Chicago, IL: Chicago University Press, 1983. No price.

TESLIK, KENNAN LEE. *Congress, the Executive Branch, and Special Interests: The American Response to the Arab Boycott of Israel.* Pp. x, 280. Westport, CT: Greenwood Press, 1982. $29.95.

It was almost always assumed that Americans vote their pocketbooks. Until recently, however, knowledge about exactly how economic concerns affect voting behavior was for the most part confined to the realm of political folk wisdom. The troubled economy of the last decade stimulated political scientists, as well as economists, to undertake studies that would better explain the relationship between macroeconomics and micropolitics. Some of these studies, like *Macroeconomics and Micropolitics*, document the effects of economic concerns on the decisions made by voters in national elections. Other studies, like *Congress, the Executive Branch, and Special Interests*, deal with the influence of political considerations upon economic policymaking and macroeconomic outcomes.

Roderick Kiewiet's statistical analysis of longitudinal data revolves around two central questions. First, do voters respond to economic conditions by voting for or against incumbent office holders—an incumbency orientation—or to the differences in the relative macroeconomic priorities of the respective parties—a policy orientation? Second, do voters respond to economic problems they personally experience or to their assessments of economic conditions in the nation as a whole? Although Kiewiet does not provide simple answers, he does offer a host of interesting, and sometimes not so obvious, findings.

One of Kiewiet's most important findings is that voting behavior was almost always more affected by national assessments than by personal experiences. The only exception was the small minority of voters whose head of household was very recently unemployed. Those voters whose family head of household had been unemployed in the previous year but was currently employed were much less influenced by their personal experiences. This indicates that even when personal experiences were a factor, voters tended to discount them rather quickly.

Another important finding is the substantial amount of support for both incumbency-oriented and policy-oriented voting. Incumbency-oriented voting was very much in evidence in those years in which voters gave high marks to the nation's economy and to their own financial situations. In those years in which voters believed the nation had a serious economic problem, however, voters were policy oriented and relied on their subjective perceptions of party differences to guide their votes. For example, Kiewiet found that those voters who believed the nation's most serious economic problem was either unemployment or inflation tended to support Democrats if they were worried about unemployment and Republicans if they were worried about inflation.

It is important to note that in most instances these findings applied more to presidential elections than congressional. In any event, it is safe to assume that they have important implications for election strategies. After all, is it not some combination of macroeconomic circumstances and voters' perceptions that will help to determine who will win or lose at the polls?

While the Kiewiet book explores the effects of economic concerns upon voters' decisions in national elections, the book by Kennan Teslik discusses the impact of interest group politics on a foreign policy decision with far-reaching macroeconomic outcomes. Specifically, *Congress, the Executive Branch, and Special Interests* attempts to trace the political interplay between interest groups, Congress, and the executive branch that culminated in the American response to the Arab boycott of Israel, namely the Export Administration Amendments of 1977.

It is Teslik's contention that along with Congress's expanded foreign policy role in the mid-1970s came an increase in the role of interest groups. With the aid of numerous newspaper accounts, personal interviews, and unpublished manuscripts, Teslik illustrates what he considers to be the expanded role of interest groups by suggesting that the Israel lobby engineered the boycott debate that led to the Export Administration Amendments of 1977. Teslik suggests that this potentially dangerous encounter with interest group politics was to some extent beneficial because it provided "both a measure of Israel's lobby strength and, in the way that competing interests were ultimately reconciled, a measure of the limits of this strength."

Teslik's analysis raises several questions. First, are news reports and other assorted anecdotal accounts enough to support an academic thesis? Second, can a strong case be made against someone—or something—with second-hand evidence? And last, did Congress's expanded role in foreign policymaking continue after the Carter presidency? If not, then what happens to the threat of an expanded role of interest groups in policymaking?

In conclusion, *Macroeconomics and Micropolitics* is one of the most comprehensive and systematic statistical investigations of the electoral effects of economic issues ever written. And *Congress, the Executive Branch, and Special Interests* is a readable, albeit highly subjective, case study of the events leading to the passage of the Export Administration Amendments of 1977. Political scientists and economists would be well advised to peruse their contents.

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LEUCHTENBURG, WILLIAM E. *In the Shadow of FDR: From Harry Truman to Ronald Reagan.* Pp. xii, 346. Ithaca, NY: Cornell University Press, 1983. $19.95.

As the end of the century nears, it becomes more certain that Franklin Delano Roosevelt will be forever regarded as the most important figure in the United States during the twentieth century. As the Lincoln of his century, FDR merits this study of his legacy's influence on his successors. Few others Americans merit such study, though the success of this book may well stimulate wider and less appropriate use of the methodology.

Leuchtenburg, an experienced historian of both FDR's career and post-World War II America, here blends those fields by devoting a chapter to each of FDR's successors—actually Nixon and Ford share a chapter. He concentrates on the influence of FDR on the individual person rather than on particular issues. Other works on education policy, welfare policy, civil rights, and similar topics trace the impact of the New Deal on later administrations, but Leuchtenburg here limits himself to personal influence.

Each chapter traces the effect of FDR on later presidents during their prepresidential careers, their campaigns, and their administrations. Each chapter tells the effect of the legacy of Eleanor Roosevelt on succeeding

first ladies. The role of FDR's sons in the careers of later presidents, the view of veteran New Dealers of each succeeding president, and the comparisons between FDR and his successors drawn by journalists and scholars are also noted.

Perhaps the best book to appear in rough conjunction with the centennial of FDR's birth, this volume illuminates both the career of FDR and the course of American history since his death. In doing so, Leuchtenburg has researched the personal papers of scores of individuals deposited in widely scattered institutions. His extensive use of oral histories is reflected not only in his analysis, but also in his judicious use of evocative quotations.

The research is thorough, the writing is fluid, but little surprises. Regarding FDR's successors, Leuchtenburg contends "there was no way that they could reasonably have been expected to match Roosevelt's record," which he goes on to describe as unequaled length of service, introduction of the welfare state, fighting a world war to victory, and leading the country out of isolation. That Franklin D. Roosevelt established the agenda and set the standards for judgment of his successors while sculpting the political topography upon which those successors pursued their own visions is indisputable.

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MAJKA, LINDA C. and THEO J. MAJKA. *Farm Workers, Agribusiness, and the State*. Pp. xi, 346. Philadelphia, PA: Temple University Press, 1982. $24.95.

This book fills a vital gap in the social history of American labor. It deals not with urban labor, but with the struggle of farm workers in California from 1870 to the present to unionize and "gain their class interests." The obstacles ranged against these interests were enormous. For a large part of this period, and even today, farm labor was recruited from nonwhite minority groups: Chinese, Japanese, Mexicans, and Filipinos, to mention only the most numerous. This excluded them from the predominantly white, urban-based labor union movement, which itself was often racist and hostile. Interethnic distrust and rivalry hindered collective action. The powerful grower organizations fought unionization with every weapon at hand: the importation of new, foreign-born workers, the agencies of the state, the manipulation of immigration policy to repatriate troublesome groups, the use of vigilantes and strikebreakers, and raw violence.

In spite of overwhelming odds, these poor, migrant groups did not knuckle under. Contrary to conventional wisdom about low-skilled, low-wage workers they were concerned with much more than wage issues and the need to defend their abysmally low standard of living. They also "aimed at adapting the production process to worker needs, narrowing the area of management's arbitrary power, and incorporating workers' representatives into decision-making processes within the company." Majka and Majka analyze and document all stages of this struggle and show "how and why for a century farm workers campaigned, protested, marched, picketed, disrupted production, held strikes, held boycotts, and sought contracts to gain their class interests." Their analytic survey ends with the emergence of the United Farm Workers (UFW) under the charismatic leadership of Cesar Chavez. It ends on a note of hope. For the moment at least, the UFW has won important concessions both from the grower organizations and the state of California. It has succeeded in gaining union recognition, eliminating labor contractors, instituting a hiring hall and seniority system, establishing ranch committees, and controlling the use of pesticides. Crucial to these partial successes was a change in the temper of the times initiated by the civil rights movement and the ability of the UFW to forge alliances with urban groups and mobilize resources external to the farm worker population.

Crucial, of course, to Majka and Majka's neo-Marxian analytic framework is the role of the state. But their framework is neither orthodox Leninist nor strictly structural Marxist. Though the capitalist state seeks to preserve the interests of the dominant class, state officials do not always know how "to mediate conflicts in ways that . . . ensure the long-term interests of capital."

Class struggles might "win the kind of concessions that shift power toward subordinate classes." In fascinating detail Majka and Majka trace how this shift might just be beginning. Though the final outcome remains clouded, "changes are now occurring in the relationship between agricultural labor and capital, and they should continue in the future." This book makes a contribution to American history, sociology, and political theory.

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MELNICK, R. SHEP. *Regulation and the Courts: The Case of the Clean Air Act.* Pp. x, 404. Washington, DC: Brookings Institution, 1983. No price.

This perceptive and useful book examines the impact on environmental policy of a wide range of federal court opinions under the Clean Air Act. Written by a political scientist with an interest in policy analysis, the book brings a fresh approach to the study of administrative law by emphasizing the political and organizational consequences of federal court opinions. This study should be read both by social scientists who seek a better understanding of the judiciary and by lawyers and judges who often overlook the realities of implementation and enforcement.

The heart of the book is a series of six case studies of relations between the Environmental Protection Agency (EPA) and the federal courts. The studies deal with the prevention of significant deterioration (PSD), dispersion, variances, enforcement, air quality standards, and transportation controls. The overall import of Melnick's analysis is pessimistic. He isolates "a multitude of unintended and undesirable consequences of court action." Interestingly, many of these consequences stem not so much from the courts' failure to understand technical issues as from their failure to understand administrative realities.

Thus in ordering the EPA to prevent significant deterioration of air quality in areas that met or exceeded national air quality goals, the courts failed to appreciate the difficulty of implementing this vague mandate and did not anticipate that the main political supporters of PSD would be representatives from nonattainment areas. The courts' strong stand against dispersion strategies failed to balance the costs and benefits of alternatives and neglected to recognize that all smokestacks disperse air pollution. The courts left the EPA with the awkward task of defining "tall" stacks. Decisions dealing with variances limited the EPA's flexibility in dealing with state air pollution agencies and appear to have restrained, rather than enhanced, enforcement. In cases dealing with air quality standards, the courts insisted that the EPA find safe thresholds even though all experts agreed that no thresholds existed. In practice, some kind of cost-benefit analysis would have to be, at least implicitly, applied. In contrast to the district court circuit's generally tough stand on standards, district courts frequently have allowed exceptions to be granted for particular firms that can credibly threaten to shut down if forced to comply. Taken as a whole, federal court opinions have led to the promulgation of unrealistically strict standards that are then only selectively enforced. The inevitable trade-offs between costs and benefits are seldom brought openly into the policy debate but are obscured by the standard-setting and enforcement process.

Of course, as Melnick is quick to point out, the courts are not entirely to blame for this state of affairs. While the book is entitled *Regulation and the Courts*, it is almost as

much about the failures of legislative drafting and the power of committee staffs to write legislative history.

In fact, none of those involved in promulgating and enforcing the Clean Air Act, from the Sierra Club to the EPA, to Congress and the courts, escapes Melnick's criticism. His policy recommendations, however, are directed at the judiciary, and he ends by urging judges to try to understand more fully the organizational and administrative consequences of the decisions they promulgate. According to Melnick, court decisions were inadequate because "the courts never understood the problems they were creating for the agency or the policies they were helping to produce because they never looked behind the abstract terms of their opinions."

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New York

PAPADEMETRIOU, DEMETRIOS G. and MARK J. MILLER, eds. *The Unavoidable Issue: U.S. Immigration Policy in the 1980s.* Pp. 305. Philadelphia, PA: Institute for the Study of Human Issues, 1983. $30.00.

Demetrios Papademetriou and Mark Miller, two scholars who have written extensively on the politics and economics of immigration, have compiled 10 essays on major aspects of the current debate over American immigration policy. They themselves provide three of the papers, on the international context, the foreign policy implications of U.S. policy, and a comparison of U.S. and Western European practices in the field of immigration reform. Other writers from the fields of public policy, political science, and economics, and government officials study the history of American immigration policy, international demographic trends, economics and labor implications of migration, refugee policy, and human rights policy. The result is a highly useful summary of current research on what Papademetriou and Miller rightly call "an enduring component of the global economic, social, and political milieu."

As with any collection of papers, the quality varies. The best in my judgment is Elizabeth Midgely's lively and witty study of "Comings and Goings in U.S. Immigration Policy." Midgely, who has worked for the State Department and for CBS and PBS News, brings the right, light touch to her summary of nearly a century of U.S. immigration policy. Making use of all the appropriate secondary sources she places the present debate in the context of previous nativist efforts to bar from these shores potential immigrants because of their "ineradicable foreignness." She has the publicist's eye for the telling quote and appropriate anecdote.

On more contemporary issues, Elizabeth Hull, a political scientist at Rutgers, has neatly limned the limits of the rights of aliens in U.S. and international law. Leon Gordenker, of Princeton, elaborates on this theme in his consideration of the "International Setting of American Refugee Policy."

The essays on labor economics and immigration and U.S. foreign policy have less bite and make less lively reading than those listed previously. They have their uses, however, in providing a good introduction to the subject, and their source material can alert readers to the relevant material that scholars are producing.

The Unavoidable Issue does not pretend to be anything other than a summary of some recent research on immigration policy. It is more for the generalist who wants a quick immersion in the subject than for experts. But policymakers, students, and scholars in other fields who want to know what the state of the art of current immigration studies was in 1982 and 1983 can find no better place to start.

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TURNER, MICHAEL. *The Vice President as Policy Maker: Rockefeller in the Ford White House.* Pp. xvii, 252. Westport, CT: Greenwood Press, 1982. No price.

Michael Turner has written a provocative examination of the vice-presidency of Nelson Rockefeller. The picture he presents is an intricate tapestry woven from policy, political, personality, and institutional threads that affected the opportunities and obstacles Nelson Rockefeller encountered in trying to develop and exercise a policy role as vice-president. It is also rich in detail based upon extensive documentary and interview materials and is, therefore, an invaluable resource for students of the presidency.

Late in the book, Turner calls this "a study in adversity" and, indeed, he has presented a persuasive case for that assessment. From the lengthy and controversial confirmation process, through attempts to act both as vice-president and as a staff assistant to the president, to advocacy of specific policy options, and, finally, to being dumped from the 1976 Republican national ticket, Rockefeller's vice-presidential career was marked by controversy, conflict, adversity, and considerable frustration.

After presenting a brief history of the office, the book opens with an examination of Rockefeller's selection and confirmation. The heart of the book then concentrates on his efforts as vice-president to perform the substantive role in the domestic policy area that he and President Ford had initially agreed upon. Turner traces these efforts through a number of case studies.

First among these is Rockefeller's abortive and aborted—largely by White House Chief of Staff Donald Rumsfeld—effort to establish control of the Domestic Council as his institutional base within the presidency. Next is a lengthy discussion of the design, internecine political struggles, presidential adoption, and eventual legislative rejection of the vice-president's proposal to establish the Energy Independence Authority. Briefer examinations are presented of Rockefeller's successful advocacy for the reestablishment of the Office of Science and Technology Policy within the executive office of the president and his controversial support for federal assistance to New York City during its fiscal crisis of 1975. Together these efforts amount to an impressive record of policy activity for a vice-president, especially since they transpired largely during the single year of 1975.

Although excellent in many regards, the book is not completely successful. First, it neglects to assess what effect the vice-president's efforts to play a policy role may have had upon the decision to drop him from the 1976 ticket. Related to this is a failure to deal explicitly with the effect of that decision on the second half of Rockefeller's tenure in office (1976). This leaves unaddressed the possible trade-off between policy influence and political office.

Second, Turner is not entirely persuasive in supporting his basic premise that Rockefeller held "a central role in the policy work of the Ford administration." He has demonstrated only that Rockefeller had an ambitious conception of the role, that he pursued that role aggressively, and that he generated and participated in considerable policy debate. His record of failures and frustrations, however, raises questions as to Rockefeller's policy influence within the administration. Since Turner fails to directly address these questions, he leaves unresolved, at least to my mind, Rockefeller's actual role. Was it that of policymaker—as the book asserts—or was it one of policy goad and gadly—as the analysis suggests?

Despite these flaws, *The Vice President as Policy Maker* presents a provocative tale and provides a wealth of information that will facilitate further debate and analysis.

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WEISS, NANCY J. *Farewell to the Party of Lincoln: Black Politics in the Age of FDR.* Pp. vii, 333. Princeton, NJ: Princeton University Press, 1983. $32.50. Paperbound, $12.50.

This is a remarkably successful effort. Weiss, a professor of history at Princeton, has done an excellent job of letting us peer inside the minds of black voters—and potential voters—during the late 1920s and the 1930s. She has allowed us to understand further the race-related politics of Franklin D. Roosevelt and the New Deal. Extrapolating beyond her treatment, she has provided us with a number of important clues for understanding the black electorate during the 1980s.

As the title suggests, and everyone knows, during the 1930s black voters dramatically switched party and voting affiliations. That black voters behaved as they did has never been in doubt; however, there has been considerable speculation and disagreement over why they abandoned the Republican party in favor of the Democratic party.

Weiss's evidence and argument are compelling. According to her examination, the black electorate altered their course because the New Deal and F.D.R. addressed black economic and political needs better both symbolically and substantively than did the G.O.P.

What is unique about this argument is that it presents black voting and support as being the result of what basically amounted to a comparison between the likelihood that the G.O.P. or the Democrats would best serve black interests. According to Weiss it was not the case that F.D.R., the Democratic party, or the New Dealers were pro-black and generated or implemented completely satisfying race-related public policies. To the contrary, one is presented a view, which I believe to be the correct one, that portrays F.D.R. and company to be at best quite reluctant progressives where race was concerned.

Black voting became heavily Democratic during the 1930s because even to an often minimal extent—when its candidates won elections—that party was viewed as providing more benefits than were perceived as accruing from G.O.P. victories. The black electorate is presented as being politically very rational. That is, black voters kept a keen eye toward evaluating candidates and circumstances in terms of comparative political economy advantages or disadvantages.

The longer-term meaning of this calculus is that during more recent presidential elections, and especially heading toward November 1984, black voters will make several crucial evaluations. The focal point of the choice in 1984 will be the Reagan administration. Black opposition to Reagan and the G.O.P. might well turn out to be as dramatic as it was to Hoover and the G.O.P. in 1932. It may turn out that Reverend Jesse Jackson is correct in saying that "hands that once picked cotton will now pick the president."

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SOCIOLOGY

APOSTLE, RICHARD A., CHARLES Y. GLOCK, THOMAS PIAZZA, and MARI-JEAN SUELZLE. *The Anatomy of Racial Attitudes.* Pp. x, 342. Berkeley: University of California Press, 1983. $27.50.

Eschewing a more conventional focus on racial prejudice, the authors of this monograph report on the development of a three-stage model of perceptions of racial differences and explanations and preferred prescriptions for dealing with such differences. Reluctance to use the term "prejudice" follows from the observation that negative perceptions of another group—a common definition of "prejudice"—can be associated with a variety of attributed causes, as well as with various policy choices, some of which may be favorable and some unfavorable to the group in question.

The bulk of this work consists of a description of the operationalization and testing of the authors' model with respect to whites' attitudes toward blacks. A rather detailed discussion of two preliminary data-gathering projects is followed by seven chapters on the main study, a mail survey of an area probability sample of San Francisco Bay area adults. With a usable return rate of 65 percent, the answers of 504 white respondents to 120 questions are examined in depth. A brief look at about 50 black respondents is provided to indicate the general applicability, with adaptations, of the methods and the model to other holders and objects of attitudes.

It is in their attention to the middle stage of the model—the explanations preferred for perceived racial differences—that Apostle and his colleagues make their most distinctive contribution. They develop a typology of modes to represent possible explanations for characterological and social-structural racial differences perceived in varying degrees by the respondents. The typology is then found to be strongly predictive of the extent to which respondents endorse personal and/or institutional action to eradicate perceived differences. The predictive power of explanatory modes persists even when controls are applied for age, education, religion, and personality characteristics—that is, authoritarianism and anomie—as well as for the level and type of perceived racial difference.

As the authors explicitly note, there is much replication to be done on other populations and with respect to other intergroup relationships before the conceptual and methodological claims of this study can be fully accepted. One revision that would seem most imperative for any follow-up research would be to purify the two indexes measuring prescriptions for policy. In the current study, preferred personal actions are purportedly distinguished from recommended institutional actions. But the composite measures for both include very similar questions on laws concerning housing discrimination.

Nevertheless, Apostle, Glock, Piazza, and Suelzle have made a potentially significant contribution to our understanding of racial attitudes, this potential magnified by the clarity of their presentation and the rigor of their research procedures. Indeed, notwithstanding its high price, this book is recommended not only for students of intergroup relations but also as an excellent case study for research methods courses.

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BERNARD, THOMAS J. *The Consensus-Conflict Debate: Form and Content in Social Theories.* Pp. xi, 229. New York: Columbia University Press, 1983. $28.00. Paperbound, $14.00.

Starting with a conviction that the consenus-conflict debate has been of momentous theoretical importance to the contemporary social sciences, Bernard has attempted to place it in historical perspective. Most of his book is discussion of key figures in the history of social thought who have been paired so as to highlight differences between consensus theorists and conflict theorists. Individual chapters compare Plato and Aristotle, Augustine and Aquinas, Machiavelli and Hobbes, Locke and Rousseau, Comte and Marx, Durkheim and Simmel, and Parsons and Dahrendorf.

The key differences between conflict and consensus theories are traced back to Plato and Aristotle, then identified anew in the works of the later theorists. Bernard treats these differences as matters of basic form in social thought. They arise from intellectual dilemmas that inhere in all efforts to construct general social theory. Hence, he argues, a limited range of conceptual alternatives have been used over and over again in the works of a great many social theorists. Yet, Bernard is careful to consider the variations in content to be found among works that are similar in basic form. He shows that

much interest can attach to the quite different specific issues on which various theorists have deployed the underlying forms.

Bernard also shows that formal considerations require us to distinguish between conservative and sociological consensus theories and between radical and sociological conflict theories. Conservative and radical theorists are alike in attributing consensus to basic human nature, but differ in treating concrete societies as consensual or as conflictual. The sociological theories are alike in attributing conflict to human nature, but differ over the depth and generality of conflict they discern in actual societies.

In schematizing differences among some very comprehensive theories around the one major issue of consensus or conflict, Bernard becomes susceptible to serious reification. His rather simple formalism does not enable him to make authentic connections with many of the concerns of the theorists he discusses. His discussion of Plato and Aristotle gives only superficial consideration to the problematics, methodologies, and cultural context of ancient Greek philosophy. Augustine and Aquinas are presented with only passing treatment of the theological issues that largely shaped their works. Machiavelli's thought is characterized on the basis of *The Prince*, but not *The Discourses* or *History of Florence*, so that his republican principles are not examined. The treatment of Simmel emphasizes the social form of conflict, but does not explicate the basic design of a formal sociology or the relations between conflict and other social forms. While it is correct to regard Simmel as a theorist of conflict, the sense in which he is a conflict theorist must be qualified when his overall conception of a formal sociology has been outlined with care. Bernard's discussion of Parsons's theoretical system contains technical errors that betray his understanding as quite limited. His concentration on documenting Parsons's adherence to the sociological consensus form prevents him from considering a number of more prominent qualities of Parsons's theories.

In my own estimation, the most serious limitations of Bernard's book follow from its starting point, the idea that a consensus-conflict debate has been vital to recent social science. With all that has been written about that debate, few have remarked that the consensus position has hardly ever been defended. Neither Parsons nor Durkheim, for example, would have characterized their own works as consensus theories, and even Comte would have done so only in a more limited sense. The collective conscience of Durkheim and the institutional structure of Parsons were both conceived in terms that contrast fundamentally with the idea of consensus that others have attributed to them. An implication that individual members of society maintain an unconstrained consensus on basic values, norms, and moral culture can be entertained only by sociological individualists who have seriously misinterpreted these theorists' ideas. It is not a hypothesis to which the theorists were committed, but a social scientific absurdity marked as entirely unrealistic by their conceptions of the institutional order—and disorder—of society. Thus the common image of a consensus theory is a straw figure. It has drawn theoretical debate away from authentically important issues for long enough. It ought now to be abandoned, not reified as a major form in the history of social theory.

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CLARK, MICHAEL D. *Coherent Variety: The Idea of Diversity in British and American Conservative Thought*. Pp. viii, 228. Westport, CT: Greenwood Press, 1983. No price.

This is another of those scholarly essays, which have become so prevalent within the last decade, proclaiming a crisis of legitimacy in the West. Clark is neither unique in his epidemiology of the crisis nor particularly helpful in his prescription for its cure.

Coherent Variety falls into that class of books that claims that the legitimation crisis

in the West is the result of not following a pure enough tradition of one kind or another. From Clark's conservative perspective, the crisis takes the form of a loss of meaning and order in the face of incredible diversity and complexity. Why should, he asks, "the unprecedented complexity of life" leave such a "bland taste of sameness, why 'progress,' 'liberation,' and 'personal fulfillment' should so often end in ennui." The culprit is the leveling attempts of the Left, which for Clark are "threats to a properly diversified social order" and suffer from the "poverty of ideological and theoretical monomania" that destroys all human associations between increasingly atomized individuals and increasingly powerful modern states.

While Clark's analysis is superficial and has an ideological ring of its own, it is accurate to a degree. Clark's cure for this modern malaise is the recovery of the "lost moral and intellectual order," which he asserts established place and meaning and defined the rules with which people gave order to diversity. The cure for modern man is to become a feudal aristocrat. Clark's world imbued with the conservative tradition is just as lacking in transcendence and meaning as the world that is the subject of his critique.

Coherent Variety suffers from the common deficiencies of histories of ideas. Clark dutifully traces the use of the term "diversity" through its various appearances in Europe and then artificially tries to implant the word in America. It does not work, because the method of idea history is misguided in that it gives to ideas a life that can only be given to concrete individuals in society who create what Pocock called "languages of exposition" to make sense of their universe. These deficiencies become glaring in Clark's strict adherence to finding the idea of diversity in American conservative minds. In order to do so, Clark must simply ignore one of the central themes of American conservatism, namely social Darwinism, because it does not fit in with the European idea of diversity that he has been tracing. Clark claims that the social Darwinism of American conservatism is a "serious distortion of traditional conservative values and traditions." In other words it is not a genteel European aristocratic tradition.

The simple fact, which Clark fails to recognize, is that diversity is a European, aristocratic concept legitimizing the station of the aristocrats who used it. Very few peasants, merchants, or other ranks of traditional society experienced the wonderful diversity that was manifested only to those perched on the top of European society. The social Darwinism of American conservatives is an equivalent to the European notion of diversity. America had no aristocratic ranks to protect: the language of privilege was the language of so-called merit. American conservatives assert that privilege is earned in the social contest of the survival of the fittest.

In a work claiming to outline the cure for the modern loss of order and meaning in society, Clark fails to keep his promise. He gives us only the worn rationalizations of elites praising the virtue of knowing one's place in society and its various human associations from a securely ensconced vantage point at the top.

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FROHOCK, FRED M. *Abortion: A Case Study in Law and Morals.* Pp. xiii, 226. Westport, CT: Greenwood Press, 1983. $29.95.

Fred Frohock, professor of political science at Syracuse University, has produced a thoughtful, reasoned, and organized examination of a social issue that frequently generates the opposite mentality. The theme of this work is the concept of regulation, especially the question, "Under what conditions is the state justified in enforcing morals?" Thus the book undertakes examination of abortion in terms of political philosophy, justice, and moral positions. As if this were not heady enough, Frohock also presents his view of realities, indicating some familiarity with physical and medical aspects of abor-

tion, as well as consideration of realistic political possibilities and the law. The length of the book and its focus do not permit full exploration to answer the theme question, but the book presents in clear and sometimes unsettling writing the dominant positions and examples of advocacy stances.

The very nature of the argument over abortion, according to Frohock, overpowers the major current theories of political models—libertarian or liberal—since none can adequately resolve the basic dispute over who is a person and when human life begins. That dispute involves moral philosophy, natural science, and jurisprudence. It also involves the most basic convictions of people and organizations in such a way that they become virtually incapable of communicating with each other. Frohock suggests this latter point in his anecdotes about courses and conferences at Syracuse that led to shouting matches and refusals to participate in joint sessions.

This book is more than a dry and dull examination of a controversial topic; it is the result of Frohock's personal odyssey into the land of abortion. That is its strength and its weakness. The subtitle calls the work a case study, but the dimension of the case is not clear since the focus of much of the work is on activities at Syracuse on the issue of abortion, and that is not well elaborated. Rather, the reasoning on moral, legal, political, and medical grounds to pose the problem is the book's significance, and the Syracuse material becomes merely illustrative. Interviews with respondents are informative, though longer than necessary, and are used to exemplify points rather than as a data base subject to scholarly examination.

The case under study in this book may be Frohock's own thinking-through of the topic as provoked by his interaction with pro-life and pro-choice activists. In the main, that is worthy enough, and Frohock writes well and provides stimulating logic buttressed by his respondents' personal experiences. In fact, one of the charms of the book is the wit and humor of the author, expressed in parenthetical asides and anecdotes in the early portion. Ones gets the sense of a humane and concerned scholar pursuing an area of perplexing complications and personal interest.

There are a few technical questions that occur along the way. For example, Frohock uses deductive logic to argue from basic principles after proclaiming that political science "is committed to induction." He uses the title "Dr." for only one respondent—a medical doctor—while others with doctorates and similar credentials are given no title, and he includes the doctor's wife in interviews for no apparent reason while no other spouses are included.

On the whole the book is a fine treatise. It goes beyond analysis of the Supreme Court decision on *Roe* v. *Wade* to indicate some historical background, some issues for medicine and law, the essentially emotional character of much of the debate, and a compromise conclusion that draws from Frohock's logical approach to politics and morals. Its main problem, however, is that, while the compromise solution to the issue of abortion does follow logically, it is likely to please none of the current advocates since it moves back from the *Roe* decision to displease those in pro-choice, but not far enough back to please those in pro-life groups.

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GALBRAITH, JOHN KENNETH. *The Anatomy of Power*. Pp. xv, 206. Boston, MA: Houghton Mifflin, 1983. No price.

In his most recent book, *The Anatomy of Power*, John Kenneth Galbraith deals with a subject that is also the dominant theme of his three major works, *American Capitalism, The Affluent Society,* and *The New Industrial State*, namely, that great organizations have the power to manage demand and to adapt other institutions to their requirements. According to Galbraith, individuals and groups impose their will on others

through the wielding of condign, compensatory, or conditioned power. Condign power inflicts unpleasant consequences; compensatory power rewards submission; conditioned power changes beliefs through persuasion. With the first two, individuals submit consciously; with the third, unconsciously. Conditioned power, moreover, is central to the functioning of both capitalist and socialist systems.

The sources of power are personality, property, and organization. Personality ranges from physical ability to persuasive powers. Property is associated most strongly with compensatory power, while "organization, the most important source of power in modern societies, has its foremost relationship with conditioned power."

Galbraith, in this extended essay, discusses the sources and dialectic of power with an occasional reference to the real world as he sees it. For example, he argues that

> wealth per se no longer gives automatic access to conditioned power. The rich man who now seeks influence hires a public relations firm to win others to his belief or he goes into politics himself, using his property not to purchase votes but to persuade voters (p. 50).

Empirical support is the assertion that "the elder Rockefeller eventually succumbed to this need and hired the pioneer publicist Ivy Lee to add explicit social conditioning to that implicitly associated with his property." Selective examples, however, do not constitute strong support for conjectures.

Another example is Galbraith's discussion of the First Amendment to the Constitution. He argues that "the constitutional guarantee of the right of free speech owes much to the accident of time. It was enacted before the use of conditioned power became commonplace and central to the exercise of power." He argues that if such an amendment were being considered today, "it would be passed only after notable exceptions—submissive political propaganda, pornography, encouragement of homosexuality and abortion—were carefully excluded from its protection. Or such would be the effort." This argument certainly runs counter to modern experience. Given Galbraith's argument about the widespread access to power in modern society and the power of "single-minded" organizations, why do we not have an amendment to the Constitution, or a serious effort to pass an amendment, to include these restrictions? Serious efforts, some with notable success, have been made in other areas certainly no more fundamental, such as the Thirteenth Amendment and the unsuccessful Equal Rights Amendment.

This general discussion of the sources and dialectic of power is followed by a survey of the development and dynamics of power in the precapitalist world, the emerging period of capitalism, the period of high capitalism, and finally the modern age of organization. According to Galbraith, as society developed, condign power gave way to compensatory power, which in turn yielded to conditioned power. Finally, the power of the modern state, military power, and the power of the press and religion are examined. There is a serious problem with Galbraith's argument about the use of conditioned power. He cautions that we must distinguish "the reality of power and the illusion of power" if we are to understand conditioned power and organization as its source. He states, however, that "in the nature of conditioned power there is no way of distinguishing the reality from the illusion." How are we ever to identify real power?

Galbraith has some very provocative views about society, the role of organizations, and extremely passive consumers and stockholders. Even if one shares Galbraith's conception of society, the basic thrust of Friedman's challenge remains unanswered. As Friedman says in *From Galbraith to Economic Freedom*,

> The puzzle I find on reading Galbraith . . . is how to reconcile his own sincere conviction in the validity of his view of the world with the almost complete failure of any other students—even those who are sympathetic with his general political orientation—to document its validity (p. 13).

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KORPI, WALTER. *The Democratic Class Struggle*. Pp. vii, 277. Boston, MA: Routledge and Kegan Paul, 1983. No price.

This ambitious book criticizes three models of class relationships in modern industrialized democracies. Pluralist thinkers have underemphasized the power of proletarian politics and the role of class structure; Marxists have unrealistically neglected the importance of democracy for the working class; while neo-corporatists have overemphasized the significance of institutional structures created for the purposes of pluralistic bargaining. Walter Korpi, who is professor of social policy at the University of Stockholm, argues that the working class is initially weak in relation to capital, but that it can overcome this disadvantage by using its democratic rights to organize politically and industrially. He takes the Swedish labor movement as the foremost example of the truth of this assertion, comparing its achievements favorably with the experiences of labor movements in 17 other industrialized democracies.

From these comparisons Korpi derives his analysis of the factors that determine the nature and strength of working-class power. Canada, Ireland, and the United States have the lowest level of trade union organization and working-class mobilization with the result that in those countries labor is excluded from power. Denmark, New Zealand, Belgium, and Britain have quite high levels of these factors with the result that in these countries the political parties representing workers' interests are sometimes in power. It is in Sweden, Norway, and Austria, however, that very high levels of organization and mobilization have given socialist and labor parties fairly stable, if not complete, control of governmental power. This has coincided with relatively high living standards for the working class.

The effects of social democratic governments, Korpi argues, are likely to be the shifting of distributive struggles from the labor market to the political arena. Unemployment should fall and distributive policies should favor the workers, with consequent decreases of industrial conflict. Social programs, in terms of Titmuss's model, will be institutional rather than marginal, implying high direct taxation and universality of benefits rather than selectivity. These policies in their turn will minimize backlash against the welfare state and maintain a fairly solidaristic working class. Where selective welfare policies have benefited only the poorer part of the proletariat, skilled workers have deserted social democratic parties and voted for their opponents. This even happened in Sweden in 1976.

Korpi's attempt to answer some of the most important questions for all contemporary democratic societies is most stimulating and combines cultural, economic, and political explanations. He is most convincing when dealing with political factors. Although he hints at important cultural differences, it is not always clear what weight he gives them. For example, he writes of the effectiveness of the social environment of the Swedish working class for the political socialization of young people. In Britain the same factor "exerts less political influence." But it is not apparent what exactly is meant by "social environment." Nor does Korpi always seem aware of the impact of economic forces. Rising employment does not usually lessen, but increases, industrial conflict. Strikes will probably be of less intensity, but there will be many more of them, as Knowles demonstrated long ago.

Doubtless the high productivity of the Swedish workers and the good sense and sound strategies of the Swedish socialist leaders—and the Swedish employers—contributed to industrial harmony and prosperity in Sweden for nearly four decades; but probably the very favorable situation of the Swedish economy was a more basic reason. Again universality of benefits may encourage working-class solidarity; but in Britain high taxation extending down into the skilled and semiskilled workers produced the same backlash as selective policies. Can social democracry succeed only where capitalism is successful?

These queries do not basically detract from the strength of Korpi's main argument, which carries great conviction. He successfully demonstrates the inadequacies of the pluralist and neo-corporatist analyses of industrial society, while assuming that the Marxist model scarcely needs refuting. Essentially, his thesis is that workers collectively must turn to politics in order to compensate for their subordination within industry; but their capacity to wield power successfully will vary from one country to another.

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McLEAN, IAIN. *Dealing in Votes*. Pp. x, 209. New York: St. Martin's Press, 1982. No price.

This book examines the interactions between politicians and voters in Britain and the United States. It is excellently executed, drawing on a wide range of evidence in a dispassionate manner and setting it out very clearly. It will be of great value for all students of this central feature of democratic politics.

Part 1, which deals with voters, first examines three ways in which voting behavior has been analyzed: on the basis of electoral geography, surveys, and the deductive or rational choice approach. The next two chapters discuss the British and American voter, drawing attention to the fact that in the United States, in addition to the two main British cleavages of class and region, religion and race are also significant. The point is almost made that issues of foreign policy count for much more in American than in British elections, but only when American lives are at stake. This part concludes with an examination of the rational choice approach to voting.

The next part looks at political intermediaries, with chapters on pressure groups, party activists—who are divided into ideological and nonideological entrepreneurs, and expressivists—and bureaucrats. On the latter McLean declares, in his balanced way, that in Britain civil servants are "not Olympian administrators detachedly choosing 'the best' policy; neither are they systematic subverters of the will of the elected representatives of the people." The distinction between ideological and nonideological entrepreneurs is then carried over to the final part of the book, which discusses politicians. But it is argued that entrepreneurship is not a complete explanation of why people go into politics. Thus the final chapter is called "The Search for Love."

In the last chapter, McLean dismisses the cruder psychological accounts, but insists that it is not possible to get around the fact that many successful politicians have had unhappy backgrounds.

> The typical British Prime Minister was bereaved in childhood, hated his public school where he detested games of any sort, especially team games, entered politics to bolster his damaged self-esteem, and then found the top of the greasy pole as lonely and friendless a place as everywhere on the way up (p. 178).

Similarly, by no means has every American president been happy in the White House. McLean is quick to point out, however, that a neurotic leader is not necessarily a bad leader.

The overall intention of this book is to show that all those involved in politics "are not as stupid or as narrow-minded as they are sometimes made out to be," and that there are a number of legitimate approaches to the study of their behavior. McLean has succeeded admirably in his purposes, and it is hoped that his cool and civilized book will be widely read.

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PHILLIPS, MICHAEL J. *The Dilemmas of Individualism.* Pp. x, 226. Westport, CT: Greenwood Press, 1983. $29.95.

Can a nun vote communist? Though this particular question is not framed in *Dilemmas of Individualism*, it puts together all the concerns of the book, which is subtitled *Status, Liberty, and American Constitutional Law*. Michael Phillips teaches business law at Indiana University's School of Business; he has written a book about the changing meaning of liberty in law and society.

The book's thesis is that political liberalism, by freeing individuals from legal disabilities based on ascribed status—sex, race, age, nationality, and so forth—has given rise to conditions at least as confining and undesirable, so that new limits on individual behavior are required. In style the book is exceptionally uneven; at first scholarly, if slightly arch, it concludes with an outpouring of schoolboy prognostication and even polemics. The style does not necessarily becloud its message.

Phillips argues that the advance of liberalism, meaning personal freedoms attained under the Constitution, has had three untoward side effects. Individuals freed to pursue their own aims perforce submit themselves to economic organizations—corporations, most notably—and thereby acquire new status disabilities in place of inherent status, very much like joining a caste. One's place in life and even personal behavior is then subject to control despite the Bill of Rights.

Second, in a world of limits the rights of one person are gained at the expense of another; the liberal mentality is forced to discriminate in reverse, taking jobs and academic opportunities from whites because they are white in order to make blacks equal.

Third and harshest, there is a view that the grant of personal liberty causes human beings either to sink into catatonic indirection or to indulge in pointless orgies of selfish, antisocial, sensual gratification—hence the major problems of our times and the fears for tomorrow. Liberalism "erodes inner restraints"—meaning religious morality—and creates a need for "external controls." There are those who hold that man—let alone woman—cannot handle freedom. One of the more solid parts of this little treatise excerpts stomach-churning judicial opinion on the inherent defects of women.

It is a little surprising that Phillips is so blunt or leaves so little space to think he is not judging the U.S. Constitution guilty of abetting heinous liberalism. His vision of liberals being subjected to chemical brainwashing will be passed over.

The evident answer to the question about the nun is that women should not vote, a nun should only do what she is told, and communists should not be on the ballot; else we are all doomed. Is this what they are teaching in law school these days?

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SUCHTING, W. A. *Marx: An Introduction.* Pp. xxii, 242. New York: New York University Press, 1983. $30.00. Paperbound, $11.50.

Why yet another introductory book on Marx? Suchting says that his aim is to provide an introduction to Marx's work that is comprehensive and elementary, but not oversimplified. His attempt is not to give a concise overview of Marxism, even if such a thing is possible, but to identify the main elements in Marx's thought. His work attempts to provide readers with an introductory basis for a more specialized and detailed understanding of Marx. He believes that such a work does not exist, and I tend to agree with him.

Suchting sees three fundamental principles in Marx's writings taken as a whole; an essentialist-teleological strand; a structuralist bent; and an emphasis on the primacy of practice. He devotes considerable attention to the third in order to show how this was critical in Marx's materialism. He argues that materialism arising from the stress on the primacy of practice is different from the

materialism commonly identified in Marx's concern with the economy.

The great merit of this book is that it does not eschew thorny issues in order to make Marx's thought more accessible. He traces the complex question of Marx's relation with Hegelian thought and that of his followers in such a manner that discontinuities in Marx's philosophical development become clear to the reader. In treating Marx's thought in five parts, arranged chronologically, Suchting sees continuous development. While retaining the notion of the break between young and old Marx around 1850, Suchting outlines a series of continuities and discontinuities in both the period preceding and the period following it. For instance, even in *Capital*, the work of a mature Marx, Suchting sees Hegelian survivals in the way concepts such as "appearance," "essence," and "semblance" are used in the discussion of fetishism of commodities.

Another controversial issue that Suchting presents with great clarity is the one about whether productive forces or production relations are more important in social development. He says that although Marx holds that production relations determine the state of productive forces, there being a dialectical relation between the two, there is no simple answer to the question about which is primary. Rather, since production relations are concerned with differential control over productive forces, it is class struggle that holds the key to historical development.

From the treatment of complex philosophical issues to the analysis of complicated economic questions in *Capital*, Suchting's work consistently renders Marx's ideas accessible without neglecting what he believes are its lacunae. This is woven into the historical context—the 1848 revolutions, the First International, the Paris Commune, and so forth—in which Marx's theories developed. For anyone interested in finding an introductory opening into more specialized debates on Marxism, this is an excellent beginning.

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ECONOMICS

CRANDALL, ROBERT W. *Controlling Industrial Pollution: The Economics and Politics of Clean Air.* Pp. 199. Washington, DC: Brookings Institution, 1983. $24.95. Paperbound, $9.95.

This is the twenty-second addition to the Brookings series of studies in the regulation of economic activity. The technical nature of this study limits the readership. The initial chapters are not integrated or general enough to allow any but the most interested reader access to the valuable contributions made in the volume. The economic theory that is used in the analysis is not complex, but most noneconomists will have some trouble with the basic efficiency model. This is a major drawback as this one economic model is the basis for the policy criticism and recommendations of the volume. A better introductory presentation would have made the volume more useful and rewarding to a much larger audience that needs this analysis without sacrifice of rigor. The efficiency model as the optimal means of solving the problem of externalities is widely accepted by economists, but the policymakers and others interested in questions about the environment must be similarly convinced, rather than excluded because of the inadequate explanation of the basic model.

The conclusion of the study is that the Clean Air Act of 1970 has not significantly brought about a reduction in air pollution due to regulatory defects. These defects have also greatly increased the cost of pollution abatement and have created political challenges to environmental policies that could have been offset with a more efficient system of regulation. The control mechanism does not provide a data system to allow for an evaluation of controls on the achievement of the goals of the Clean Air Act. The inadequate monitoring system and civil penalty system reduce the efficiency of the current system of control

Crandall shows that the reform proposals of the political critics of the Environmental Protection Agency indeed are ineffective as they continue to emphasize technology-based standards that are not cost effective

The acceptance of what is called bubble policy and banking of pollution rights has moved toward the more efficient use of marketable pollution rights or emission reduction credits. This use of economic incentives provides an equitable and efficient allocation of costs to achieve best the environmental goals. The system of a two-part tariff would distribute emission rights and establish excess emission fees that will bring about the most efficient achievement of air quality.

The use of a pollution tax has been a standard conclusion of all principles of economics courses for at least a decade. Crandall shows that the new source performance standards have created a bias against the growing regions of the country. The political source of this policy is conclusively shown to be the desire of frost belt legislators to retard the growth rate in the sun belt. The summary chapters show the need to move toward a pollution fee or tariff to provide the incentive to achieve the environmental goals at the least cost.

The volume is indeed complete and persuasive. The economic arguments are so powerful that they may help offset the political source of the ill-conceived rules that have hampered efficient enforcement policies.

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DEMSETZ, HAROLD. *Economic, Legal, and Political Dimensions of Competition.* Pp. 125. New York: North-Holland, 1982. No price.

The four essays that make up this small volume are drawn from Demsetz's lectures for the F. De Vries Foundation. They are remarkably clear, and the *arcana* of microeconomics will be transparent to the nonspecialist reader. Demsetz's presentation is sensitive to the broad scope of economics and his commentary is at once lucid, responsive, and constructive.

The principal contributions of this work are to summarize and extend in broad outline the approach to economic activity that has characterized Demsetz's work for some time. The economic landscape is extensive and its geography complicated. Microeconomists work, in general, by confining themselves to a particular hill or valley and mapping only their own locale. Demsetz illustrates first how several of these places are only partially mapped and then suggests that certain of the hills and certain of the valleys are closer than might otherwise be thought.

Competition, for example, is usually developed theoretically in terms of prices. Demsetz argues that price competition is one form of competition relatively easily treated algebraically, but that in many cases it is the competitive response least proffered and less effectively used by producers. Often responses include choices of quality, location, and timing, as well as the selective management of information and the manipulative use of the law of contracts.

The model of perfect competition, he argues, is a model based on an extreme value solution to the problem of coordinating economic activity. When activity is coordinated only at exchange, it is as decentralized as possible: no actor explicitly controls the plans of any other; we find out what will happen when it occurs. Perfect decentralization, however, is characterized by high uncertainty and by transaction costs so great as to foreclose a range of desirable opportunities. Actors begin to try to coordinate their activities to realize opportunities, and, to the extent they succeed, competition becomes quite different from what is assumed in the entirely decentralized case.

Competition in the market is supplemented by competition for control. Development of an analysis of control allows Demsetz to offer useful commentary on the place of fraud and deceit in economic activity, the organization of firms and industries, and the law of contracts, as well as antitrust law and externalities.

The last two essays are directed to the operation of the public sector and political democracy. While much of what he says about parties, institutions, and interest groups is useful, its substance is mostly well known. Demsetz's contribution is to link these concerns back to his analysis of a competition for control that emerges from the coordination of economic activity usually assumed to be more decentralized than it is.

The avoidance of control becomes a final topic. Demsetz argues that a combination of political opposition and individual actions will limit the extent to which any economy can be controlled, so long as the social environment remains relatively tolerant. Demsetz estimates that parliamentary systems seem unable to support a government that controls more than 50 percent of the economic activity; even party systems, like those of Eastern Europe, appear to face a limit below two-thirds.

The book is a valuable contribution both to economics and to our understanding of political systems. It should tempt many nonconomists to take a peek at Demsetz's more formal work.

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DOWNS, ANTHONY. *Rental Housing in the 1980's*. Pp. xiii, 202. Washington, DC: Brookings Institution, 1983. No price.

This careful study, summarized by Downs in the January 1983 *Annals*, projects a shortage of rental housing during the remainder of this decade and recommends steps for the government to take to avoid such an eventuality. For various reasons, without public intervention rental housing construction will not keep pace with demand. Doubling-up, postponement of household formation, and rent escalation will ensue, causing hardship among lower-income groups. To mitigate stress, Downs proposes three policy objectives: (1) stimulation of rental construction, primarily through monetary/fiscal policies that would force down interest rates, and prohibition of local rent controls; (2) more intensive use of existing inventory; and (3) a universal housing voucher program for low-income renters that would allow rents to rise enough to encourage rental production without imposing severe costs on the poor. Downs rejects supply-side subsidies to encourage construction on grounds of economic inefficiency and more urgent demand on federal funds. He would finance the voucher program through reduction in the tax benefits that homeowners obtain by deducting mortgage interest and property taxes from their taxable income.

Several questions emerge from Downs's analysis. First, how accurate is his prediction of a rental housing shortage likely to be? From 1980 through 1983, housing construction has been far below the estimates of required production that other experts have made, yet no evidence of a shortage has emerged. Although Downs's projections are more sophisticated and conservative than most, the future they describe is not sufficiently serious and certain to indicate immediate need for major new housing initiatives. Second, if a shortage develops will it be visible enough to prompt congressional action? Because of the different ways in which housing markets accommodate to increasing stringency, measurement of a shortage is not straightforward, as Downs recognizes. Third, are the recommended interventions appropriate? The centerpiece of Downs's housing proposals is the voucher program. Monetary/fiscal reform goes beyond housing. Prohibition of rent controls is unnecessary if vouchers are enacted. And the other proposals are peripheral. While vouchers may be desirable in their own right, it seems doubtful that permanently subsidizing several million additional renters is an efficient way of generating several hundred thousand additional new dwellings annually. It also seems doubtful that the subsidies would even affect construction materially. Finally, should the voucher program be financed by increasing taxes on homeowners?

Some analysts question the wisdom of tying tax reform to specific expenditure programs.

Overriding these several reservations, however, are the book's excellent analysis of the rental housing market and its wealth of useful data.

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EARL, PETER. *The Economic Imagination.* Pp. xi, 224. Armonk, NY: M. E. Sharpe, 1983. $30.00.

The neoclassical economic theory of consumer choice is as easy to state as it is familiar. Each consumer has—in the simplest formulation—an exogenous positive income, and faces exogenous prices for some fixed number of goods. His or her preferences for consumption bundles—lists of quantities of each of the goods—are complete, transitive, and regular, hence representable by a utility function. The problem of the consumer is then to find a most preferred affordable bundle: that is, to maximize the utility function subject to expenditure on the chosen bundle not exceeding income.

According to Peter Earl, this theory has virtually nothing to recommend it. Its most important drawback is the excessive informational needs it imposes on the individual: given the huge number of goods actually available for consumption, it is a wonder that the utility maximizer ever chooses at all. The fact that present decisions have future effects, and hence that the decider must predict the future, only adds to the computational difficulties. These considerations are often summarized by saying that real-world consumers possess only bounded rationality. In addition, the received theory does not find it easy to deal with changing preferences—or indeed with their determination in the first place; with the introduction of new goods into the consumption space; or with multiple deciders in a household. Nor can it explain why some goods are closer substitutes than others—why it should be that when the price of coffee increases, consumption of tea changes markedly and that of gasoline is virtually unchanged, and not the other way around. Moreover, economists have shown scant interest in actually discovering people's preference maps. In short, Earl finds that standard microeconomic theory is insufficiently grounded in human instincts, motivations, and limitations—that it is not a behavioral theory.

As Earl points out, there exists—though all but ignored by neoclassical economists—a large body of behavioral approaches to consumer theory. These can be categorized broadly into two classes. In the first, called compensatory models, the problem of bounded rationality is resolved by postulating a small number of categories into which characteristics of goods or alternatives may be grouped. For example, one model categorizes options with 21 satisfaction/dissatisfaction levels and 11 levels of relation between options and satisfaction. This, of course, considerably limits the information to be processed, but even so, deciding people still seem too much like computers—albeit small ones—to Earl. In noncompensatory models, the possibility of substitution—that is, that one might be willing to do with a little less of one attribute for a little more of another—is ruled out. In these models, choice proceeds by elimination, where alternatives are discarded if they do not possess the requisite attribute(s) in the requisite degrees. In the true lexical model, there is a hierarchy of desired attributes, and two alternatives that have the most important attribute are then compared on the next most important, and so on until only one remains. A special case is the fanatic model, in which precisely one attribute is considered.

It is the extreme simplicity of choosing in lexical models—since the decider is endowed with a hierarchy of aspirations and target levels—that leads Earl to opt for this particular model. In the final third of the book he considers other issues in the background of choice contexts. First, how easy is it to influence aspiration levels, priority rankings, and perceptions? Earl adopts a theory of Kelly's

according to which, very roughly, people try to minimize disruption to a given world view by marginal adjustments to either the view or the data. This implies that what might be thought of objectively as revolutionary product changes will be filtered down considerably by the individual. Second, how will considerations of bounded rationality affect dynamic decisions? Consumers, suggests Earl, break decision problems into sequential subproblems. Finally, he discusses choice in a social setting, including "six main reasons why a person may wish to interact with other members of society." In a sense, social interaction is a potent limiter of possible courses of action and thus part of the world of bounded rationality.

It is not easy to assess the contribution of this book. On the one hand, it performs a valuable service by insisting on serious consideration of informational constraints that pervade consumer decisions. In this respect, it certainly seems that neoclassical theory in its baldest form presupposes too much. Equally, some of Earl's criticisms are wide of the mark: for example, to berate neoclassical theorists for a lack of interest in ascertaining preferences is to ignore the voluminous integrability literature. Moreover, it is possible to investigate whether or not choices are consistent with neoclassical structures—see, for a recent attempt, Hal Varian in *Economics Letters* (1982)—and cautiously affirmative answers seem to emerge. Nonetheless, for his critical function Earl is well worth reading.

With respect to his positive theory of choice, however, I have a good deal more hesitation. Granted that one wants a more behavioral theory, the question is, Is Earl's the one? Here, Earl's procedure of simply adopting an extant psychological theory inevitably leaves one wondering if there is not another theory that does better; and this question—which could be met by argumentation—is never addressed. It appears to me that Earl ultimately judges theoretical adequacy by a highly pragmatic criterion: that a theory of choice should be—painlessly—implementable using questionnaire data from market surveys. But while this would undeniably be of great value, it seems to be wholly inadequate as a theoretical criterion. Earl then appears to face a dilemma. If he wants empirical implementability, then both his behavioral theory and neoclassical theory can be regarded as differing oversimplifications of choice behavior. But if he wishes to insist on accurate behavioralism, then his theory is far from compelling as an accurate representation of the undeniably complex workings of the human mind.

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KALT, JOSEPH P. *The Economics and Politics of Oil Price Regulation: Federal Policy in the Post Embargo Era.* Pp. ix, 327. Cambridge, MA: MIT Press, 1981. No price.

The title of this book implies a more expansive subject matter than it actually contains, yet economists involved in energy and its regulation will find much of interest in the volume. The specific subject of the book is federal price controls placed on domestically produced crude oil after the international oil-price shock set off in 1974 by the Organization of Petroleum Exporting Countries. Kalt examines the complicated multitier crude oil pricing scheme that existed in this country from 1974 to 1981, and the attendant entitlements program designed to ensure that domestic refiners of crude oil had relatively equal access to price-controlled crude oil. His purpose essentially is to quantify the impact of these programs upon various groups.

Qualitatively, the major findings he derives from his analysis are not surprising. It is stated that price controls lowered domestic oil production and resource exploration, resulted in higher levels of crude oil imports, led to overconsumption of oil in terms of energy alternatives, and created a subsidy for both domestic refiners and refined product consumers. The heart of the book, and its substantial volume, however,

resides in the detailed and complex methodologies used to quantify these findings. In short, Kalt finds that crude oil price ceilings have denied crude oil producers from $14 to $50 billion per year since 1974, with refiners capturing 60 percent of this subsidy and consumers the remaining 40 percent. He claims that the combined deadweight loss of controls and entitlements has been roughly $1-6 billion per year since 1975. It is also found that controls have resulted in domestic oil production levels being anywhere from 0.3 to 1.4 million barrels per day lower than those that would be forthcoming in the absence of controls.

The single chapter devoted to politics consists of a statistical evaluation of 36 Senate votes on energy issues (1973-77). His finding that political ideology is a compelling explanatory variable in this voting is consistent with the findings of other congressional observers.

In summary, this is a dispassionate and scholarly account of a subject that other economists too frequently deal with only polemically. Though Kalt is keenly sensitive to the economic efficiency distortions that arise from government intervention in the marketplace, he makes few judgments as to the overall efficacy of energy policy. Nonetheless, because of its highly technical nature, and the inordinate use of professional economics jargon, the book cannot be recommended to readers seeking only a general understanding of energy economics and politics in the post-embargo era.

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STROUP, RICHARD L. and JOHN A. BADEN. *Natural Resources: Bureaucratic Myths and Environmental Management.* Pp. xv, 148. Cambridge, MA: Ballinger Publishing, 1983. $20.00. Paperbound, $9.95.

CHAPMAN, DUANE. *Energy Resources and Energy Corporations.* Pp. 365. Ithaca, NY: Cornell University Press, 1983. $19.95.

Stroup and Baden have written a propaganda tract in which they offer a simple solution to such problems as management of energy resources, ground water, and timberlands. Their solution is to "privatize"—they would sell the national forests and they would have the federal government either sell other land that it holds or deed it to "environmental interest groups" if the land is of "ecological importance." They would also sell shares of aquifers. The logic that they use to support these proposals is that of the property-rights branch of neoclassical economic theory. According to property-rights theorists, private ownership of property is clearly superior in promoting efficiency, both now and in the future, because private property ensures that the holders of the property will enjoy the benefits of its use and suffer the costs of its misuse. As Stroup and Baden make clear, property-rights theorists are not deterred by arguments that property owners may use up resources that future generations may want: speculators will ensure the best use over time by bidding for resources that they will withhold from current use if those resources will have greater value in the future.

Readers may be jarred by some of Stroup's and Baden's so-called facts. I was startled by their proposition that the U.S. Constitution was written "to restrict the activities of the federal government" and by

their proposition that the Homestead Act "reversed eight decades of relatively unfettered land disposal." Such statements made me wonder about the accuracy of other assertions in areas where I do not have expertise. However, the persuasiveness of their book will rest on the peculiar logic of property-rights theory and not on the limited facts that they present.

On the other hand, Chapman's book—a textbook—rests heavily on facts. Although the first 43 pages are devoted to an explication of economic theory of the firm and of social welfare, the remaining pages are a compendium of information about the use, ownership, and management of petroleum, natural gas, coal, the nuclear power industry, and electric utilities.

As part of the description of the energy sector, Chapman provides a brief history of British, Russian, and American involvement in Iran, plentiful data on energy reserves, information on ownership of petroleum companies and their interconnections with each other, and much, much more—apparently all available information that seems relevant to evaluation of the performance of energy corporations. Because he covers so much, it would be possible to find some fault with almost any section, and one can certainly level the criticism to which all textbooks are subject: too much is covered in too small a space. But such criticisms would be unfair because Chapman has, in fact, written a most interesting and useful book. Unlike Stroup and Baden, Chapman does not hold fast to a simple, logical proposition as the only solution. Instead, he concludes that there is little ground for advocating divestiture and greater competitiveness, he sees little hope for effective control of prices, and he does not see the energy companies as the cause of energy shortages—or even as restrictive of output, although he does argue that those companies have great market power. But he also does not advocate that we rest happy in the assurance that the management of the energy corporations will guarantee energy adequacy in the future. Instead he argues, again with massive amounts of information, that we will need to restrict our energy use and undertake major restructuring of the energy industries. His specific proposals are too complex to be summarized here. I will simply note that if we were to debate them in the public arena and in classrooms, then we would have taken a giant step beyond the sterile debate about whether public or private systems of property are superior.

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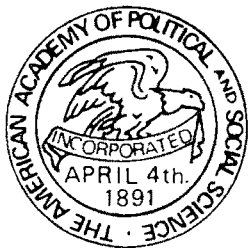

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OPENING REMARKS AT THE EIGHTY-SEVENTH ANNUAL MEETING

Welcome to the eighty-seventh annual meeting of the American Academy of Political and Social Science, founded in 1889 and incorporated in 1891.

One of my functions as president of the academy is to prepare for and to organize these annual meetings. The board of directors and I regularly try to plan a meeting around a topic that will be important and timely, but we must plan it nearly a year in advance. Traditionally, the topic one year is international, and the next year it is domestic. Two years ago our topic was international terrorism, an equally viable topic today, considering bombings in Israel and a United States officers' club and the firing from the Libyan embassy in London.

This year our topic, China in transition, is obviously international, and we were fortunate to choose it, not knowing how newsworthy it would be at the end of April. Indeed, this week *Time* magazine is featuring on its cover "China's New Face" and *Newsweek* is featuring on its cover "The Terms of Endearment," a study of President Reagan's visit to Beijing. Yesterday the president landed in Beijing. We are today and tomorrow talking about China, a country in which the United States has a major interest.

We have an interesting and informative program. Some of the most illustrious members of the academic and political science community will present new and fascinating papers on the internal politics of China, population control, migration, the relationships among China, the USSR, and the United States, rural agriculture and modernization, and the development of legal education.

Approximately 130 American firms now have offices in Beijing, and trade between our two countries amounts to about $5.5 billion, a fiftyfold increase since our last annual meeting dealt with the topic of China, in 1972. Moreover, 10 years ago only a handful of Chinese were allowed to study overseas, while today there are 12,000 students in the United States alone.

I am excited by this meeting because it concerns a people that represents 1 billion of the world's population. More people speak Chinese as their native tongue than any other language on earth. If one combines both native and second languages, English is the most commonly used language. Together we rule the linguistic world.

China is huge in space and people. China is significant in size and for future development, far beyond any part of the globe.

Ethical issues of population control and migration control, legal issues of criminal justice and civil rights, even copyright issues of printed ownership, and investment of capital in hotels, in high technology, and in nuclear power are all of major concern as the United States and China together move through the 1980s and 1990s. On the population issue, we note that there has been a significant rise in life expectancy in China, from age 40 in 1950 to over 60 in 1983. China's population has increased by more than 500 million since World War II. "That is roughly," says

Time magazine, "the equivalent of moving all the people of Western Europe and the U.S. into the already overcrowded Middle Kingdom."[1]

The problem of Hong Kong is important from an investment viewpoint, but it is minuscule compared to electrical energy, nuclear power, industrial development, and general modernization. No country in the world has the problems China has in controlling and planning families. Limitations of food, space, and educational facilities are crucial. Rural versus urban population control policies are critical. We in the West can hardly stand in a posture of severe criticism of what the Chinese government may do or devise. I suggest that our political, social, and scientific perspective should be one of tolerant understanding. We are two cultures and need to study and understand one another while we seek more social, scientific, and educational interrelationships.

I wish to thank my colleagues Allyn Rickett, professor of Chinese and Oriental studies at the University of Pennsylvania, and Professor Chong-Sik Lee, chairman of that university's Graduate Program in International Relations, for their help in making suggestions for topics and speakers to this novice in Chinese studies. I wish also to thank Kenneth Lieberthal, for he was one of the first persons contacted to develop this meeting.

Many Chinese experts—both American and Chinese—are in China today accompanying the president. But many who have worked, lived, taught, and researched in China are here today. We are indeed fortunate and grateful for their presence and contributions here. Moreover, the deputy of the Chinese mission in Washington, Mr. Hu, will be our luncheon speaker. You may have seen the photograph of him in last Sunday's *New York Times,* waving good-bye to President Reagan. Mr. Hu will be with us tomorrow.

This is our marvelous program. The excellent and exciting papers presented here today and tomorrow will be published in *The Annals* in the November issue.

27 April 1984 MARVIN E. WOLFGANG

1. *Time*, 30 Apr. 1984, p. 28.

ANNALS, *AAPSS*, **476**, November 1984

China Today

By HU DINGYI

ABSTRACT: Since the founding of the People's Republic of China, the country has made considerable strides forward. Recently its modernization program coupled with a series of reforms has registered success. The record of 1983 is a good illustration. A careful study of China's achievements and challenges shows that the country will move ahead in the years to come. The main points of China's foreign policy are to develop relations with all countries on the basis of the Five Principles of Peaceful Coexistence; to strengthen solidarity with the other Third World countries and to promote friendship with the people of all countries; and to oppose hegemony and safeguard world peace. The steady and sustained development of friendly relations between China and the United States is not only in the interests of the two peoples, but also of great benefit to the maintenance of world peace and the promotion of human progress. The potential is great, but obstacles such as the Taiwan question need to be removed.

Hu Dingyi graduated from the Central University, Chongqing, to prepare for a diplomatic career. Currently minister at the Embassy of the People's Republic of China in Washington, D. C., he has held numerous responsible diplomatic positions, including consul general in San Francisco, counselor at the Chinese embassy in London, and division chief in the African Department of the Ministry of Foreign Affairs in Beijing.

THE current international situation is a fluid one. Many forces are at work to determine the level of political cohesion, military balance, and economic development in different regions. Though the whole is so much more than the sum of its parts, the study of individual countries is a basic building block for a proper understanding of the various contributing factors to the state of the world today.

China covers 9.6 million square kilometers with a population of 1 billion. It has the oldest uninterrupted civilization in the world, and is a very active member of the international community. Therefore its past and present and its internal development and external relaions deserve a careful look.

1949—THE WATERSHED

Ancient China is the birthplace of, among other things, the compass, gunpowder, movable type, and paper. At one time or another, it led the world in science, technology, art, and literature.

However, toward the middle of the nineteenth century, China started to go downhill fast. Feudalism increasingly obstructed social development. Foreign powers grabbed Chinese territory and carved China into their spheres of influence, riding roughshod over the Chinese. The corrupt, repressive regimes at home pursued a traitorous foreign policy while bleeding its own people white. This combination made the Chinese economy extremely backward, and life was an agony for my people. Millions died of war, hunger, disease, and natural calamities each year.

Never giving up hope under the worst of conditions, the Chinese people rose up in revolution. Countless patriots went through fire to save the nation. Such heroism culminated in the founding of a socialist, new China in 1949. Since then, the country has gradually come to occupy its rightful place in the world community. The Chinese people are now basically free from shortages of food and clothing. Their personal safety is assured. A nationwide, comprehensive industrial base has been established. We are approaching or even have arrived at the level of the advanced world in some fields of science and technology.

Of course, the People's Republic of China, being a young country, has had its own share of setbacks. The so-called Cultural Revolution, between 1966 and 1976, plunged the country into great chaos. The Chinese people have become all the wiser from that costly experience and will not permit its repetition. Bold measures have since been taken to put China back on the right track.

THE MODERNIZATION PROGRAM

The nation's goal is the modernization of its industry, agriculture, national defense, and science and technology by the end of the century. Specifically, the total value of industrial and agricultural production is to be quadrupled between the years 1980 and 2000. This goal requires ingenuity, sustained efforts, and consistency of purpose of the whole nation, and it cannot afford any vacillation or deviation from the set course.

The stage has been set for the successful execution of the modernization program. Politically, unity and stability are here to stay. The program is enshrined in China's constitution. The legislative process is being pushed forward with a view to promoting the rule of law and enhancing the democratic rights of the people. Political leadership has been strengthened and

rejuvenated. A small core of trusted founding fathers of the People's Republic forms the top echelon. Day-to-day affairs of the state are left to the second echelon of well-experienced and active leaders. A new infusion of competent, younger, and better-educated persons makes up the third echelon at both the national and local levels. The three-echelon leadership structure will ensure a smooth transition of power and continuity of policies.

Economically, China has been implementing the principles of readjustment, restructuring, consolidation, and improvement as well as the policy of opening itself to the outside world and invigorating the domestic economy. This approach has paid off handsomely.

Many Chinese view economic restructuring and reform of the existing economic management system as a main factor in improving the overall performance of the national economy. The national consensus is that while the economy remains a planned one, room should be given to market regulation to play a supplementary role.

In agricultural production, a new responsibility system has been installed. Nowadays, within the general framework of the state plan, each farming family may decide what crops to plant and enter into a contract for fixed quotas of production. All production over and above the quota goes to the family for its own consumption or for sale at the free market. Tremendous vigor has thus been injected into a diverse rural economy.

In the industrial sector, things are more complicated, yet the principles concerning reform are basically the same. A management responsiblity system has come into being. Within the overall framework of the state plan, enterprises now have more decision-making power so as to be responsive to market needs. Before, enterprises handed over all profits to the state, which provided them with all the funds needed for production and other purposes. Now they are beginning to become tax-paying entities, retaining profits and investing them or distributing them as bonuses for all the employees, as they see fit. Consequently, the enterprises and their employees have incentives to improve their managerial skills, and better economic results are sure to emerge.

In addition to these reforms in the state-owned enterprises, the government also encourages the setting up of cooperatives as well as an appropriate development of individual businesses as necessary and useful supplements to the public sector.

Thanks to the measures of reform and the hard work of the Chinese people, in recent years the national economy has been able to maintain a fairly high rate of growth, averaging over 7 percent annually.

Success in 1983

The year 1983 was the third year of China's Sixth Five-Year Plan (1981-85) and also one of the best since the founding of the People's Republic. The gross output value for industry and agriculture as well as the output for more than 30 industrial and agricultural products—including grain, cotton, crude oil, pig iron, rolled steel, and motor vehicles—reached the goal set in the Sixth Five-Year Plan for 1985, two years ahead of schedule.

In 1983, the total grain output was about 380 million tons, 26 million tons more than in 1982, which itself was a year of bumper harvests. Cotton output

reached 4.5 million tons, an increase of 25 percent from 1982, when it rose 21.2 percent. The annual agricultural output value exceeded $130 billion U.S., 5 percent more than in 1982, based on 1980 constant prices.

The total industrial output value reached $295.7 billion U.S., an increase of 10.2 percent over that in 1982. The economic consequences of industry also improved. In 1983, profit and taxes handed over to the state by state industrial enterprises rose by 6.2 percent over that in 1982.

Total investment for capital construction increased as well. In terms of investment structure, the proportion of state budgetary investment increased. The proportion of total investment for energy, transport and communications, and postal services and telecommunications—all key areas for economic development—increased from 30 percent in 1982 to 38 percent in 1983. This is a satisfactory achievement in implementing the principle of concentrating funds to guarantee key projects.

Meanwhile, China has strengthened the technical transformation of its existing enterprises. Last year, the state spent $14.4 billion U.S. on the technical transformation and equipment renewal of old enterprises. This expenditure has played a positive role in increasing production, cutting costs, raising the level of technology, and improving transportation and communications.

Foreign trade also performed well last year. The total volume of imports and exports was $43.66 billion U.S., an increase of 4.9 percent over 1982, and there was a trade surplus of $1 billion U.S.

Progress has also been made in absorbing foreign funds and advanced technology. In 1982 China had 83 ventures that combined Chinese with foreign investment. In 1983 the number increased to 188. The Regulations for the Implementation of the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment, which was promulgated on 20 September 1983, contains some stipulations regarding favorable treatment for such ventures in marketing, taxation, and foreign-exchange control. Last year the Chinese government signed loan contracts with foreign governments or international financial organizations to the tune of $1.33 billion U.S.

At present, China has established 42 companies to undertake projects in more than 40 foreign countries and regions. They have signed contracts for the construction of power stations, highways, bridges, and houses.

While mainly relying on our own efforts in the modernization drive, we in China are fully aware of the importance and value of expanding mutually beneficial trade and economic cooperation with foreign countries. The door of China will never close again.

Challenge and prospect

Though the Chinese economy was moving forward at a fast clip and the people's living standards were rapidly improving, there were still many unsolved problems in 1983.

The scale of capital construction was still too big. The growth of the energy industry still fell behind that of the manufacturing industry, and this condition has aggravated the shortage of energy and raw materials that appeared in 1982. The contradiction between eco-

nomic development and insufficient transport facilities became more acute. Consumption funds increased too rapidly. Some enterprises issued excessive bonuses and various kinds of subsidies that have had an adverse effect on state finance. The economic results of some enterprises still left much to be desired.

All these problems have adversely affected the balance between material supply and demand, between incomes and expenditures, and between credit receipts and payments. Therefore, China is still faced with an arduous task if it wants to produce a fundamental turn for the better in its financial and economic situation.

What can be said for 1984? I believe that, despite the problems, the trend will continue to be favorable. Economic development in the countryside is on the rise, and there is still great potential. Moderate growth will be maintained in industrial production. As the construction of some big and medium-sized projects moves into full swing, investment in capital construction will be slightly higher than in 1983. Trade and economic cooperation with foreign countries will see fairly big increases. The national economy will be on a path of steady and healthy development.

FOREIGN POLICY

In order to attain the goal of modernization, it is essential to ensure a peaceful international environment. In this sense, China's future is closely linked with world peace and security.

The current world situation remains turbulent. Local wars have never stopped since the end of World War II. A fierce arms race, particularly in nuclear arms, has aggravated the tension. Foreign forces occupying Kampuchea and Afghanistan have thus far refused to withdraw. War flames keep burning in the Middle East. The situation in Central America is tense. Racists are still running amok in southern Africa. Worldwide economic recession has brought troubles to North-South relations and has also increased the contradictions among developed countries. Tensions and turbulence pose a serious threat to world peace, causing untold suffering to many countries. How can a country concentrate on economic development when its own security, independence, and sovereignty are in danger?

Bearing in mind the great sacrifice the Chinese people made to win their national independence, it is no surprise that China attaches great importance to its independence. To be exact, independence is the fundamental principle of China's foreign policy. We do not attach ourselves to any big power and are not subject to any big power's will.

It is in accordance with the fundamental interests of the people of China and of the world that we have determined our foreign policy, which includes the following points:

—to develop relations with all countries on the basis of the five principles of (1) mutual respect for sovereignty and territorial integrity, (2) mutual nonaggression, (3) noninterference in each other's internal affairs, (4) equality and mutual benefit, and (5) peaceful coexistence;

—to strengthen solidarity with the other Third World countries and to promote friendship with the people of all countries, and

—to oppose hegemony and safeguard world peace.

Major approach and issues

China is a developing socialist country. We share similar historical experiences with the other Third World countries and face the same task of economic development. We firmly support them in their just cause of safeguarding national independence and developing their national economies. We are in favor of increased South-South cooperation, improving North-South relations, and establishing a new international economic order through global negotiations.

On the basis of the Five Principles of Peaceful Coexistence, China wishes to develop friendly relations and cooperation with all other countries. China has established diplomatic relations with 129 countries and has settled boundary questions leftover from the past with most of its neighbors, such as Burma, Nepal, Pakistan, Korea, and Mongolia. In spite of the difference in social systems, China has maintained good relations with Japan and many other developed countries, and its cooperation with them has assumed new dimensions both in depth and in scope.

We are working hard for the normalization of Sino-Soviet relations, which requires the removal of three obstacles. China's position is that, first, the Soviet Union must stop supporting Vietnam in its aggression against Kampuchea; second, it must withdraw its troops from Afghanistan; and third, it must withdraw its forces from the Sino-Soviet border and Mongolia.

China and the Soviet Union have already held several rounds of consultations. However, the Soviet side has thus far evaded discussion of these three questions, which pose a threat to China's security and the security of the other countries concerned. Although Sino-Soviet relations have improved somewhat in recent years, greater effort by the two sides is called for if the relations are to be really normalized.

Sino-U.S. relations

China attaches great importance to Sino-U.S. relations. The two countries have different social systems, and each has its own foreign policy to pursue and national interests to protect. Naturally, they differ in their views and approaches in certain areas. However, in the turbulent world today, the two countries have common interests on a number of major international issues. The steady and sustained development of friendly relations between our two countries is not only in the interest of the two peoples, but also of great benefit to the maintenance of world peace and the promotion of human progress.

Since the reopening of the lines of communication between our two countries in 1972, and particularly since the establishment of diplomatic relations in 1979, the winter of estrangement has yielded to a springtime of burgeoning ties in various fields.

In 1971 the Chinese and Americans were virtually cut off from each other, and the two governments had little contact. In 1983 about 100,000 Americans visited China, and many Chinese delegations came to the United States. Chinese and American government officials are engaged in a meaningful dialogue, encompassing political, economic, and many other areas.

In 1971 there was hardly any trade between the two countries, but in the last few years the annual trade volume has been around $5 billion. Equally

important, over 100 contracts and agreements have been signed concerning economic and technological cooperation. Our scientists have joined hands in about 300 projects under 20 government protocols, ranging from seismology to medicine.

Sino-U.S. cultural exchanges have also broadened from a trickle to a strong current. Today, there are about 10,000 Chinese visiting scholars and students in the United States. For its part, the United States has 250 scholars and students on Chinese campuses, not counting the 1700 who have left after taking short-term courses in China in the last year.

Remarkable as this progress has been, our bilateral relations have also experienced ups and downs and twists and turns. Many people realize that there are two possibilities ahead for these relations. One is a steady and continuous development of our friendship and cooperation on the basis of equality and mutual benefit, with differences being ironed out and obstacles removed. The other is stagnation of our relations at the present level with frequent friction and even setbacks. To be specific, the Taiwan question is the main obstacle to the development of Sino-U.S. relations.

Sino-U.S. diplomatic relations came about only after the U.S. government recognized, in the Sino-U.S. joint communiqué of 1 January 1979, the government of the People's Republic of China as the sole legal government of China and acknowledged China's position that there is but one China and that Taiwan is part of China.

Yet, up to this day the U.S. government still treats Taiwan as an independent political entity. It continues to sell large amounts of arms to Taiwan, thus infringing upon China's sovereignty and territorial integrity. Here I wish to stress that we are not asking the United States to help us reunify our country; we only ask the United States not to stand in the way of our efforts to bring about Taiwan's return to the motherland by peaceful means. We do ask the United States to observe strictly the mutually confirmed principles contained in the communiqué of 1 January 1979 and the communiqué of 17 August 1982 concerning U.S. arms sales to Taiwan. We hope that the United States will live up to its commitments and gradually reduce—and ultimately terminate—its arms sales to Taiwan. Only thus can the clouds hanging over Sino-U.S. relations be dispelled.

Sino-U.S. relations have already moved beyond the political domain to embrace many other activities, notably trade and economic and technological cooperation. We in China welcome the U.S. decision to liberalize its control on exports to China. We hope that, with this decision, the U.S. government will truly treat China as a friendly, non-allied country, thus helping to bring about a substantial growth in our mutually beneficial trade relations. In this regard, may I also say that the outdated U.S. trade legislation discriminating against China needs to be amended as well—or rescinded—so that a favorable setting may be created for such relations.

Although Sino-U.S. trade has grown rapidly, the scale of economic cooperation remains limited. Such moderation is quite incommensurate with the population, resources, and total productive capacity of China and the United States. The American business firms have abundant funds and are ahead of others in such fields as oil, coal, power stations, communications, and transportation. Therefore they are in a good position to

expand economic and technical cooperation with China in many forms. Now it depends on whether China and the United States are good at making use of these opportunities. Of course, in so doing we should handle our political relations well; otherwise, they may work against the broadening of such opportunities.

The friendship between our two great peoples goes back a long way, and Sino-U.S. relations have come a long way. Facts through all these years prove that the significance of better Sino-U.S. relations goes far beyond the realm of ordinary bilateral relations and constitutes an important factor for world peace and stability. Recently Premier Zhao Ziyang paid a successful visit to the United States, the first trip ever made by a Chinese head of government to the United States. His visit increased mutual understanding and helped stabilize bilateral relations. President Reagan was the first incumbent U.S. president to visit China since the establishment of Sino-U.S. diplomatic relations. People in both countries hope that this exchange of visits will provide a fresh impetus to the development of Sino-U.S. relations.

CONCLUSION

A brief review of China's domestic situation and its interaction with the outside world shows that China has set for itself three major tasks in the 1980s and 1990s. They are (1) realizing modernization, (2) opposing hegemony and safeguarding world peace, and (3) bringing about Taiwan's return to the motherland so as to realize the country's peaceful reunification. Arduous as these tasks are, favorable conditions for their fulfillment do exist. More important, the Chinese government and people have the will and resourcefulness to face up to the challenge.

ANNALS, *AAPSS*, **476**, November 1984

China's Political Reforms: A Net Assessment

By KENNETH LIEBERTHAL

ABSTRACT: China's leaders since the death of Mao Zedong have tried to reform the political system so as to reduce the level of political coercion, increase the use of rational/legal processes, put talented individuals into responsible positions, enhance their capacity to base decisions on pragmatic criteria, and restore and strengthen the legitimacy of the polity. Their efforts to further these goals have produced important results, but the reforms still have not taken root. The reforms have been hedged in by fundamental untouchables, resisted by uncooperative cadres, and undercut by the inherent incompatibility of different components of the reform package itself. The prognosis for the various elements of the reform effort depends both on keeping the initiative in the hands of the reformers at the top of the Communist party and on achieving good results in the economic arena.

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THE Chinese have been trying to revamp their political system since 1977. Like related efforts in economics,[1] these political changes are a reaction to the enormous problems that Mao Zedong bequeathed his successors when he died in 1976.

Mao's gargantuan attempt in his last decade to steer China away from a "revisionist" course left a political shambles. The Cultural Revolution's encouragement of mass violence and factional conflict produced a radical de-institutionalization of the political system. Bureaucratic information channels became blocked or seriously distorted. Factional conflict affected both personnel appointments and policy outcomes. Political coercion within the governing bodies and toward the populace reached extraordinarily high levels. Fundamental disagreements divided even the highest-level leaders over such basic issues as the rules by which the system should be governed. The leadership's capacity to acquire good information, to base decisions on the substantive merits of issues, to have those decisions implemented in a prudent and conscientious way, and to elicit support from the population for this entire process had all seriously eroded between 1966 and 1976.

REFORM GOALS AND INITIATIVES

In response to this situation, Deng Xiaoping and his colleagues launched a wide-ranging series of efforts to reform the political system. In broad terms, their policies seek to achieve the following goals:

—to reduce the level of political coercion throughout the system;

—to reduce the salience of patron-client relations, of factionalism, and of corruption while expanding the role of rational/legal processes in the polity and bringing into power successors with functional expertise;

—to enhance the capacity of the political organs to reach decisions based on pragmatic criteria; and

—to restore and strengthen the legitimacy of the polity.

The resulting political system will ideally be more capable of managing a wrenching evolution into modernity while maintaining the country's political stability. In more detail, the following reform initiatives have been taken to date.

Reducing coercion

There has been much attention devoted in the Western media to the vicissitudes of China's policy toward intellectual freedom. The "anti-pollution" campaign that flared up in the fall of 1983 raised the specter both domestically and abroad of another bout of radical know-nothingism. Although the line that defines the politically permissible continues to shift erratically, two basic changes have, on balance, made China significantly less coercive.

First, political labels on individuals have been removed step by step. China as of 1976 practiced severe discrimination against large groups of people based solely on political criteria. To have a bad label—as a landlord, capitalist, rightist,

1. Good overviews of the economic reform effort and its results are available in, for example, the symposium published in the *China Business Review*, pp. 8-27 (Nov.-Dec. 1983).

bad element, and so forth—severely limited one's opportunities for employment, marriage, and perhaps even freedom. This system has in the main been dismantled since 1978.

Virtually all of the approximately 150,000 remaining rightists have been restored to full citizenship. Landlords and capitalists have generally been proclaimed to be peasants and workers now that they have "adequately reformed." About 2.9 million Party members who were judged to be counterrevolutionaries during the Cultural Revolution have formally been rehabilitated. And countless thousands—indeed, probably millions—of others who bore one stigmatizing label or another have received relief via the efforts to redress past mistakes.[2]

The formal declaration that class struggle and political campaigns would no longer be the driving forces of China's revolution gave doctrinal underpinning to this substantial decline in the ranks of the pariah groups. Campaigns and struggles in the past had sometimes appeared from afar to involve fairly high-minded attempts to raise the populace to new levels of political purity. But in China the police and the labor camps were two of the key instruments of these so-called consciousness-raising efforts.

Second, the decline in coercion has been manifested in genuine encouragement of discussion and debate. During Mao's last decade, even top leaders found that almost anything they said might well be regarded primarily as an indicator of their political orthodoxy—at a time when unorthodox thoughts brought disaster. Since 1978, however, a wide range of views is solicited on many problems—although not on fundamental goals and priorities. Ministerial journals, technical periodicals, the general media, and private conversations are often spiced with relatively clear advocacy of competing positions. The reduction in political coercion, in short, has permitted a very substantial improvement in the quality of discourse on public policy.

Rational/legal processes and the succession

Much of the effort since 1978 has aimed at re-institutionalizing the polity and, relatedly, at putting people of talent in leadership positions so these strengthened institutions will produce good outcomes. As the Cultural Revolution undermined standard operating procedures and immersed individuals in a terror-filled environment, patron-client ties emerged as the major way to accomplish tasks and get ahead. Factions based on personal loyalties that extended across formal institutional boundaries became key combatants for the spoils of the political system. These factional ties were nurtured by exchanging favors that ranged from personnel appointments to procurement of scarce resources, provision of political support or protection, and other similar practices. In short, corruption based on political power became a defining characteristic of China's politics.[3]

This insidious development had many unhealthy ramifications for the

2. Richard Krauss analyzes this system of political labels in his *Class and Class Conflict in Chinese Socialism* (New York: Columbia University Press, 1981).

3. On Chinese factions, see, for example, Lucian Pye, *The Dynamics of Chinese Politics* (Cambridge, MA: Oelgeschlager, Gunn & Hain, 1981).

political system. It became very difficult to place the best-qualified people in executive positions because these positions were seen as part of the spoils of factional fighting. Rules on the books might affect forms and appearances, but they proved relatively weak in structuring actual behavior. Political discipline and the prestige of the political apparatus among the populace naturally suffered accordingly. Some political science literature notes that a little corruption can have beneficent effects on the politics of a developing country,[4] but the corruption in China grew to such an extent that it considerably harmed the polity.

Sharp divisions over substantive issues exacerbated the effects of corruption, as corrupt relationships shielded individuals who opposed and sabotaged current policy.[5] This lingering phenomenon still endangers the political and economic reforms because foot dragging by opponents makes it more difficult to produce the promised improvements in standards of living and personal security.

The pervasiveness and complexity of the intertwined problems of patron-client relations, factionalism and corruption sparked an appropriately wide-ranging mix of measures to improve the situation. At the end of 1978 the Party decided to estabish a hierarchy of Discipline Inspection Commissions to investigate and root out corruption and violations of rules within the Party. The new Party constitution, adopted in 1982, considerably stiffened the rules for membership and training. These measures were preparatory to the projected three-year Party rectification campaign that began in the winter of 1983-84. This campaign is supposed to be aimed especially at identifying and removing those Party members who still support a more leftist position than current policy dictates. The campaign is also intended to instill appropriate norms in the Party cadre.

Beyond the use of disciplinary bodies and related measures, a range of additional initiatives aims at buttressing the rational/legal elements in determining personnel appointments and policy outcomes. For example, elections in which candidates exceed posts have been held for key government positions up to the level of the county. These can be—and have been—manipulated by the authorities, but they have also to some limited extent reduced the ability of individuals to use political appointments as a way to build factional support.[6] Within both the Party and the government, moreover, the personnel rules are being changed so as to try to encourage the appointment of younger and better-educated people to executive positions.

A related initiative aims at reducing dramatically the multiple hat wearing of office holders. Before 1978 it was common for a high-ranking Party official, for example, to hold a corresponding executive position in the government and/or the military. This not only overly concentrated power; it also enhanced the potential for factional domination of individual offices and units, as one key person and his

4. See, for example, Samuel Huntington, *Political Order in Changing Societies* (New Haven, CT: Yale University Press, 1968), pp. 59-71.

5. This is confirmed, for example, by the Commentator article in *People's Daily*, 14 Feb. 1984, trans. in *Daily Report: People's Republic of China*, 15 Feb. 1984, pp. K1-3.

6. Barrett McCormick, of the University of Washington, provides a good analysis of this problem in his "Leninist Implementation: The Election Campaign," in *Policy Implementation in Post-Mao China*, ed. David M. Lampton (n.p., forthcoming).

followers could monopolize all the core positions. Between 1978 and 1983, in at least the most highly visible leadership positions down to the county level, this phenomenon was nearly abolished.

Personnel changes have aimed at more than reducing multiple hat wearing and breaking up factions. During the Cultural Revolution China recruited about 18 million new members into the Party, and many of these obtained official posts. After the Cultural Revolution, as already noted, about 3 million former officials were brought back to power. The new reform initiatives, however, required that many of the people from both these groups be removed—the former because they opposed current policy and the latter because they had become too old and lacked requisite skills. The attempts to remove these individuals have been combined with related efforts to slim down and rationalize the country's political institutions.

The numbers reflect the effects of these efforts. During 1983 about 70 percent of the 1400 provincial-level rehabilitees were removed and were replaced by a smaller number of better-educated officials. Overall, the number of provincial Party secretaries has dropped from 300 to 150, and the average age of these incumbents has declined from 63 to 56 years old. The percent with some college education has risen from 10 to 40 percent. Comparable changes have occured in the highest positions in the State Council. Comparable figures are lacking, however, on the mass of cadres below the top leadership positions at each level of the national hierarchy.

The reduction in multiple hat wearing and the replacement of older cadres by younger and better-educated counterparts is supposed to occur as much at the peak of the polity—in the politburo and its related organs—as in other units. China's media constantly tout the need to rejuvenate the leading organs and pass leadership on to a second and third generation. The object is both to avoid another debilitating succession struggle and to guide the country to modernization with technically qualified people in place of the old generals who survive from the early days of the revolution.

Enhancing decision-making capacities

Ever since Deng Xiaoping in the spring of 1978 declared that China must "seek truth from facts and make practice the sole criterion of truth," the authorities have taken many measures to improve the political system's capacity to make pragmatic decisions. The previously noted increased freedom of lower-ranking cadres to state their views has itself contributed significantly to a more pragmatic decision-making style. But the efforts in this sphere have gone well beyond loosening the ideological straitjacket.

Several bureaucratic initiatives merit attention. There is a renewed stress on rationally allocating responsibility among members of the Party and government committees; the head of each committee is now prohibited from simply imposing his views on the members. In addition, decision making has been somewhat decentralized. Many decisions previously had to be made by the central organs in Beijing, even though these organs lacked adequate information and cooperated only very poorly with each other. Now, by contrast, some of these decisions are made by lower-level, territorial Party

and government committees that are close to the problems and better situated to coordinate the efforts of the relevant local specialized agencies.

Educated individuals are also being brought into executive positions. Many of those with a higher education who had been purged and vilified during Mao's last years have now been given responsible positions. As political agencies develop leading groups that are more educationally competent, the use of hard data as an element in decision making should increase.

There is also a more systematic effort to gather and disseminate pertinent data. The state statistical system was reduced to bureaucratic rubble during the Cultural Revolution. Substantial efforts have been made since the late 1970s to resuscitate this system and to increase its ability to withstand political pressures.[7] Numerous new publications, moreover, are transmitting the fruits of this and related data-gathering efforts to interested parties throughout the polity.

None of the foregoing measures is a panacea. All, though, contribute to the system's ability to reach good decisions and to respond quickly to changing circumstances.

Restoring and strengthening legitimacy

Most reform initiatives help mitigate the crisis of legitimacy—or what the Chinese refer to as the crisis of confidence—that the system suffered by the late 1970s. Some measures, of course, have had a double edge, in that they actually decrease the legitimacy of the system for those individuals who rose rapidly when other priorities obtained during the Cultural Revolution. On balance, though, a more pragmatic, efficient, rational/legal, and less coercive regime is likely to win some favor from most Chinese, especially after the turmoil of the past.

But the hangover after the Cultural Revolution binge has proven prolonged and painful; millions of youths, especially, are severely disillusioned. Corruption and patriarchal behavior have raised charges about a new class of bureaucrats, while increased exposure to the outside world has created a revolution of rising material expectations. Modernization is itself a profoundly unsettling transition, no less in China than elsewhere.

Some reform policies seek specifically to cope with the legitimacy issue. Many of these have been economic, as the ability to deliver a rising standard of living has explicitly become one basis of the Chinese Communist party's rationale for governing.[8] But other measures have been political. These include the new election system up to the county level, mentioned earlier; strengthening the governmental representative bodies—the People's Congresses—and the various united front organizations; and the attacks on corruption by the Discipline Inspection Commissions.

On a broader level, the leaders are seeking a balance between greater freedom of thought and the promotion

7. At the height of the Cultural Revolution, the State Statistical Bureau had only 14 people left in its central office. On the rehabilitated statistical system, see the series of articles in *Daily Report: People's Republic of China,* 17 Feb. 1984, pp. K17-21.

8. See, for example, the speech given by General Secretary Hu Yaobang on a tour of Sichuan and Guizhou Provinces, where he said, "What do the people want the Communist Party to do? First, to gain liberation. Second, to get rich." Sichuan Radio, 8 Feb. 1984, trans. in *Daily Report: People's Republic of China,* 9 Feb. 1984, p. K11.

of an ideological orthodoxy to legitimize the system. The new orthodoxy is an uneasy amalgam of several elements: those parts of Mao Zedong's legacy that are most compatible with current policy; the *Selected Works of Deng Xiaoping*,[9] which gives definition to the new political priorities; and broad appeals based on the patriotic bonds that are supposed to unite all Chinese.

OBSTACLES TO REFORM

The efforts to reform the political system are wide ranging. Nevertheless, the reforms have been hedged in by fundamental untouchables, resisted by uncooperative cadres, and undercut by the very incompatibility of different elements in the reform package. While significant reforms have nevertheless taken hold, it is important to understand the factors that have limited—and will continue to circumscribe—the results of these initiatives.

First, there are sharp conceptual limits to the scope of the reforms. Even the leading reformers are basically still Leninists and will not tolerate a shift away from a patriarchal system toward a fundamentally more democratic and rational/legal polity.[10] Deng Xiaoping's "four basic principles" highlight this fact. They demand that the Communist party remain the sole leading party in China; that Marxism-Leninism-Mao Zedong Thought—including the "enrichment" of the latter by Deng and other top leaders—remain the sole permissible ideological system; that the socialist path remain the sole legitimate path the country can follow; and that the people's democratic dictatorship remain the country's state system for the indefinite future.

These principles have themselves been subject to varying interpretations on specifics—for example, as to what, concretely, defines "the socialist path"—but they are in their entire thrust profoundly restrictive. The Communist Party will monopolize political power, but the Party in turn must be disciplined and led from the top down. While "practice is the sole criterion of truth" on concrete and limited matters, all fundamental truths must derive from, or at least be made compatible with, Marxism-Leninism-Mao Zedong Thought. Although economic reforms may permit foreign direct investment in China, de facto decollectivization of agriculture, and the encouragement of small-scale private industry, the bulk of the industrial, finance, and trade systems must remain publicly owned and operated. And the people's democratic dictatorship is a state form designed to oppress those who disagree over fundamentals.

This broad approach clearly penetrates into how the leaders think about everyday problems. For almost every issue, the path to improvement is still proclaimed to lie in having the leaders at each level properly understand the problem, commit themselves to it, and pay attention to it until it is solved. The key, in current Chinese thinking, thus remains always with the leaders, not with any autonomous bodies or staff.

Fundamentally, also, career success has continued to go primarily to those who carefully cultivate a bureaucratic base and then nurture that base as they

9. There have also been related publications of the selected works of Liu Shaoqi, Zhou Enlai, and Chen Yun.

10. These leaders are also influenced by China's long tradition of statecraft, which is likewise profoundly nondemocratic.

progress up the system.[11] This basic pattern of career mobility naturally strengthens the grip of patron-client relations on the polity and inhibits the selection of leading officials solely on the basis of talent.

Conceptually, in brief, the political reforms are the brain children of individuals who themselves are very much products of the Chinese system. While much significant tinkering may go on, therefore, more radical changes such as the creation of a truly multiparty system are not in the offing.

In the rough and tumble of Chinese politics, also, the reforms must contend with significant opposition. In some cases, those in charge of some specific reform are also the targets of that same initiative. This has been very much the case with local cadres who must oversee the nomination and election process to fill the offices that they themselves hold. Similarly, the Discipline Inspection Commissions were initially put under the leadership of the Party committee at their own bureaucratic level. But the primary targets of the Discipline Inspection Commissions were to be the very Party committees—and their subordinate organs—that had charge of them![12] The current three-year Party-rectification campaign suffers from the same problem, and these examples could be multiplied many times over. They reflect the tensions inherent in trying to preserve a patriarchal system while at the same time reforming it.

Balancing the political parts

The reform effort also presumes an altered balance among the basic territorial and bureaucratic building blocks of the Chinese system in a way that invites attempts from the losers to redress the balance. Territorially, the reforms—economic as well as political—should shift power and resources toward the coastal cities and away from the heartland. Bureaucratically, the reforms have important implications for the five basic building blocks of the system: economics, culture-propaganda, security, personnel, and the hierarchy of first secretaries of Party committees.

The economic bureaucracies are in charge of economic management and growth. Reform for them means enhancing efficiency and achieving a new sectoral balance that gives lower priority to development of the producer-goods industries. The cultural bureaucracies, by contrast, have responsibility for maintaining a political esprit while adapting to the demands of the economic development program. The reform program has given the cultural bureaucracies the twin tasks of freeing scientific and technological research from political constraints while bolstering a commitment to socialism and a spirit of patriotism throughout the populace.

The security bureaucracies cover everything from crime and fire fighting to political dissidence, counterespionage, and national defense. Reform to them means increasing adherence to law, lightening political repression, limiting foreign subversion, and modernizing the People's Liberation Army. The per-

11. This is the major lesson to be drawn from David M. Lampton's careful study of the careers of six major Chinese officials: *Paths to Power: Elite Mobility in Contemporary China* (Ann Arbor, MI: Michigan China Center, forthcoming).

12. See Lawrence Sullivan, "The Role of the Control Organs in the Chinese Communist Party, 1978-1982" (Paper delivered at the Conference of the New York State Political Science Association, 1983).

sonnel bureaucracies control careers through the maintenance of personal dossiers and control over employment and promotion. While personnel units are embedded in economic enterprises and other organs, they in fact have their own sets of regulations independent of the host organs. Under the reform program, the personnel bureaucracies should cultivate and promote younger and better-educated individuals and weed out former leftists still in responsible positions.

Finally, the hierarchy of secretaries who lead the territorial Party committees reached a high point of power and influence as of the mid-1970s, when it was said that the "Party takes command of everything." The reforms, however, have forced these top Party executives to give up their concurrent posts in the government and/or military hierarchies. In addition, the watchword of the 1980s is to pull the Party out of detailed decision making in favor of having it concentrate on more general political tasks.

The reform program has thus had a complex effect on each of these bureaucracies. Some generalizations are, nevertheless, possible. First, the economic bureaucracies have to date gained the most, overall, from the program. They have greatly enhanced their control over economic decision making, allowing far less intrusion by the Communist Party than had previously been the case.

The power of the cultural-propaganda bureaucracies, by contrast, has been cut back. The reform program has played down the role of politics, when the *raison d'être* of these bureaucracies previously was to enforce political orthodoxy. Extensive contacts with overseas Chinese and with foreigners have simply made the task of these bureaucracies more complex and difficult.

The security bureaucracies are in some ways in an even worse position. With the 2.9 million rehabilitations following the Cultural Revolution, numerous cadres who had been detained and abused by the security organs returned to positions of power. In addition, power within the security bureaucracies has now been divided somewhat. With the great increase in China's contacts abroad, moreover, the tasks of these bureaucracies have also become vastly more complex.

The military side of the security system has also had a mixed time with the reforms. Reportedly, high-ranking officers have been disgruntled over the denigration of Mao, have bridled at the greater political and cultural freedom allowed, and have chafed under the tight defense budgets that have accompanied the relegation of defense to fourth priority among the four modernizations.

The personnel system has been put in charge of cultivating and bringing into power a younger generation of better-educated cadres. Numerous reports indicate, however, that this bureaucracy had become a real stronghold of the leftists by the end of the Cultural Revolution.

Finally, as noted earlier, the leading secretaries in the territorial Party committees have had to yield both concurrent political positions and much decision-making authority.

The economic bureaucracies thus have clearly fared better than the cultural, security, personnel, and Party secretarial systems under the reforms. In the past, though, these other bureaucracies have time and again proven able to assert their interests vis-à-vis the

economic organs. It will still be some years before a stable balance is struck among these sectors.[13]

There are, finally, structural contradictions among the various elements in the political reform effort itself. For example, initiatives have been taken to disperse and institutionalize authority. In Beijing, therefore, there is no longer a cult of personality that permits one individual to be the unquestioned arbiter of major policies. The position of Party chairman has been abolished, and four major organs—the politburo, State Council, Secretariat, and Central Advisory Commission—make policy; whereas in Mao's last years only the first two existed.[14] The degree of overlap of office holding has also diminished considerably. And the determination to prevent ruinous factional struggles and polarization of politics has meant that constant efforts have been made to fashion a consensus on issues in contention.[15]

The dispersion and only partial institutionalization of authority and the stress on consensus, while central components of the reform effort, also have the effect of attenuating other dimensions of that effort. Far-reaching change requires the centralization of authority in the hands of a reform group so that it can keep the effort on track even when the reforms are still too new and untried to produce the promised results. The notion of radical change in a patriarchal system simply does not conform easily to the political preference for seeking and maintaining a consensus among decision makers.

A NET ASSESSMENT

It is simply inappropriate to proclaim the success or failure of China's post-Mao political reforms. It is possible, though, to indicate to what extent various important dimensions of the system have changed. Even this effort inevitably requires drawing conclusions where some data are either impressionistic or inconclusive. On balance, then, to what extent have real reforms taken hold in the Chinese polity since the death of Mao?

There has been a real and marked reduction in the level of political coercion. The state has essentially declared that a considerably narrower band of thought and activity should be deemed political in the sense that the state should monitor and control it. China has, in this sense, become far less a totalitarian society, although it remains highly authoritarian.[16]

Several concrete changes that are part of the reform effort have taken hold. There has been a substantial change in the people who hold positions at the vice-ministerial level and above in Beijing, at the vice-governor level and above in the provinces, and at the vice-magistrate level and above in the counties, with for the most part comparable

13. This analysis draws from Kenneth Lieberthal, "Reform Politics," *China Business Review* 10(6):10-12 (Nov.-Dec. 1983).

14. Of these four, the Central Advisory Commission is clearly the least powerful. Nevertheless, it does to some extent further disperse authority at the apex of the Chinese system.

15. For an excellent discussion of consensus and reform, see Christopher M. Clarke, "Changing the Context for Policy Implementation: Organizational and Personnel Reform in Post-Mao China," in *Policy Implementation in Post-Mao China*, ed. Lampton; and David M. Lampton, "Water: Challenge to a Fragmented Political System," in ibid.

16. See Michel Oksenberg and Richard Bush, "China, 1972-1982: From Revolution to Reform," *Problems of Communism* (Sept. 1982).

changes occurring in the corresponding positions in the Party apparatus. Gross statistics, as noted previously, reveal that the new incumbents are generally younger and better educated and that the instances of multiple hat wearing have declined dramatically.

While these measures appear impressive, it is hard to gauge their real impact. New leaders appointed to provincial posts, for example, typically must work with an apparatus that remains loyal to their predecessors, who, more often than not, remain on the scene in some honorific post. Patterns of personal interaction will change only slowly, and in many cases clear institutional boundaries have yet to be drawn. China thus remains very much in a transitional stage, where some of the critical building blocks of a reformed polity have been put into place, but where they have not yet taken root. Current policies will have to be maintained for some years with constant attention devoted to making the reforms take hold before one can have real confidence in the permanence of the reform initiatives.

This issue of policy continuity focuses attention on the apex of the political system—the Party politburo and its related organs. While Deng Xiaoping has tried hard to put into place capable successors such as Hu Yaobang, Zhao Ziyang, Yao Yilin, and Wan Li, on balance what is impressive is the degree to which the old generals and aged revolutionaries still cling to power. The most powerful men currently, in terms of setting the broad outlines of policy, include Deng himself, who is 79 years old; Chen Yun, 79; Peng Zhen, 82; Li Xiannian, 78; and Ye Jianying, 86. The order in which these men leave the political stage can affect the thrust of the political-reform effort.

Nor is age a problem only at this highest level of decision making. Hu Yaobang is 69 and Zhao Ziyang is 66. The other sixteen members of the politburo average 73 years old; only four of them are under 70. Of the nine members of the Secretariat, eight are 68 to 71 years old. And the five leading members of the Military Affairs Commission average 82.5 years old; at 79, Deng is the youngest of them. When one considers that the Central Advisory Committee was to be the body to which older leaders would retire with honor, the problem with removing aged people from power stands out in even bolder relief.

Fundamentally, moreover, individuals remain more important than institutions in China, and the promulgation of new laws and administrative decrees alone will not change this in any serious way. To alter this situation substantially would require a very basic change in both ideology and psychology.

The question of legitimacy remains another difficult issue.[17] The reformers are trying to walk what may be a very thin line. They are pursuing a program that should encourage the development of pluralistic forces and have decried the kind of political fanaticism that characterized the Cultural Revolution era. But they are still determined to maintain a patriarchal system, where some combination of patriotism, commitment to socialism, material satisfaction, and fear of social instability binds the populace to the polity and legitimizes the system. Legitimacy is hard to measure, moreover, because no methodologically rigor-

17. Frederick Teiwes has wrestled with the legitimacy issue in his *Leadership, Legitimacy, and Conflict in China* (Armonk, NY: M. E. Sharpe, 1984), esp. pts. 2 and 3.

ous opinion surveys have been done. Also, the degree to which the current system enjoys legitimacy inevitably varies greatly among different population sectors.

Many peasants have benefited enormously in material terms from the recent reforms; former Red Guards, by contrast, have generally been shunted aside to make way for the better-educated younger generation. To the extent that proposed changes in labor policy are actually implemented, ambitious workers will benefit while others will lose the greatest benefit that the system had given them—total job security. The legitimacy of the system is unlikely to increase for these latter individuals. Numerous additional obstacles to enhancing the overall legitimacy of the system loom on the political horizon. Challenges will arise from the continuing exposure to foreign accomplishments, from increasing inequality in the distribution of domestic resources, from the inevitable tensions of the transition to an industrial society, and from myriad other sources.

Since 1977 China's leaders have proven willing to test an impressive range of political reform measures to try to cope with the new challenges confronting the largest polity in the world. This task is so daunting and complex that there is no way at this point to specify the degree to which each of these reform initiatives will succeed. Clearly, much will depend on the smoothness of the succession at the top during the coming years. Economic performance will also greatly affect the support that current policies engender, both among the populace and within the elite. On balance, the political reforms have not proceeded nearly as far as have their much heralded economic counterparts. In the future, political rejuvenation will likely continue to trail behind economic change, and the tensions between the two may at some point emerge as the central issue confronting the People's Republic of China.

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QUESTIONS AND ANSWERS

Q (Ralph Goldberg, University of the District of Columbia): What is the present strength of regional influences in China, and how do such influences either help or hinder any of the efforts at central reform?

A: I believe that the current reform effort will, if it is carried through, significantly enhance regional inequality in China. The regions that will grow rapidly and that will become major economic forces throughout Asia are Southeast China, especially Guangdong Province, stretching into Guangxi, which will be primarily energy related; the eastern end of the Yangtze from Shanghai up to Nanjing and perhaps as far as Wuhan, which will be the center of China's entrepreneurial skills; and then the northern region around Beijing and southern Manchuria, which will be a heavy industrial base and also obviously the bureaucratic center.

People who currently staff leading organs in China in general come not from these regions but from the interior. There is a question of whether, over the longer run, the gradual redistribution of resources in the country will be sustained by a central leadership that largely hails from the areas that will be losing out in relative terms. I have asked

some Chinese about this and one of the comments that I have heard is that, if the current reforms continue, over time we will see more and more people from the eastern regions moved into the top positions, because they are the technocrats in the bureaucracies in central ministries. These technocrats will be able to sustain this type of growing regional inequality.

COMMENT (Lee): One way the Chinese are going to deal with that problem is to centralize the party or parties so that the top level will maintain tight political authority over the provincial party, while at the same time allowing the decentralization of the operation of the government.

Q (Dr. Stikliorius, Wallingford, Pennsylvania): The reforms occurring in China do not change the fact that the government there is a brutal Communist dictatorship that has murdered millions more people than even Hitler and Stalin. The human-rights record of the Chinese regime is atrocious. We frequently condemn the Republic of South Africa for its bad record. Therefore, should we also boycott Communist China, or is our greed for profits from the Chinese market so big that we forget about the beautiful principles of human rights?

A: I would agree that the human-rights record has been pretty bad and that during the height of the Cultural Revolution and at the height of earlier campaigns in China, it reached truly dramatic proportions. It is also important to understand that that record has improved a great deal since the Cultural Revolution.

The United States is always caught, to a degree, in a dilemma when it deals with governments that do not have our political system and that do not respect human rights to the degree we do; and these are the vast majority of governments of the world, as you well know.

The question is, How much can be accomplished by condemning those governments and using U.S. public resources to try to isolate them in the world arena, versus trying to work with those governments and potentially in some indirect and obviously limited way improving the chances of a more tolerant political system? I think that in the Chinese case we have opted for the latter. My own sense is that that is a more productive approach, and therefore it is one I would support. I do not think that we should totally neglect human rights in China. If repression were to increase again, I think we should certainly take note of that and make representations privately to the Chinese about it. But I believe that the public condemnation should be done by private groups. On a government-to-government level, all sides, including the Chinese people, are better served by a cooperative, reasonable, and non-vituperative bilateral relationship.

Q (Stikliorius): The Chinese Communists are friendly to us because they are eager to get our advanced technology, nuclear plants, computers, and so on. What assurances do we have that they, after having received all our most advanced technology, will not turn back to their old friends in Moscow?

A: I think the simple answer is we have no assurances. We have no credible assurances in part because the current leaders will not still be on the political stage 20 or so years from now, which is the period that you are looking at. I think instead what we have to ask ourselves is, What kind of China do we

want to see 20 years from now, and how do we want to position ourselves with relation to that country. What I fear, frankly, over the next 20 years is not so much a strong China, allied with the Soviet Union, as a weak China that invites aggression from the Soviet Union. I think that will be highly destabilizing, and that is a concern that I think should be high on our political agenda.

I suspect that 20 years from now, if China's modernization proceeds in a reasonably smooth and consistent way, that it will be a country that we find uncomfortable to deal with. It will be more assertive in the international arena, and it will still have values and priorities that are not totally in line with our own. But I do not see any reason for assuming that the Soviets will be any more comfortable with the Chinese or that Soviet and Chinese values will be any closer than our values are to either of theirs.

You are dealing with different cultures, with significantly different political systems. They share a long border, and I do not think that that is a situation that will be conducive to future close cooperation or future alliance simply because the Chinese have managed to develop their economy with reasonable speed and efficiency.

Q (Marc Blecher, Oberlin College, Ohio): How would one characterize the Maoist system in terms of combinations of patron-client, patriarchal, bureaucratic, totalitarian, and authoritarian elements?

A (Lee): I have been trying to avoid using any particular labels for the Maoist system and the political system that existed in China after the Cultural Revolution up to the fall of the Gang of Four. My feeling is that that was a transitional period where the power balance among the factions characterized the system. No faction was in a dominant position to impose one ideological view.

COMMENT (Lieberthal): Let me just draw a couple of distinctions around the terms that you used, Marc. I referred to China as a patriarchal society. By that I did not mean patron-client. To me a patriarchal society is one in which the top leadership presumes that it essentially monopolizes the wisdom on what policies are correct. Decisions therefore flow downward, rather than being developed by a range of reasonably autonomous bodies that compete with each other in some way. In that sense I think China under Mao was patriarchal. China under Deng Xiaoping is, I think, equally patriarchal in that fundamental way. I also noted that China under Mao was totalitarian. In fact, in a strict sense, there are all kinds of problems with that classification, but in relative terms, "totalitarian" to me means that a society has an extremely wide range of things considered to be political. In other words, the boundary between politics and society is not strong; politics pervades almost everything. And while, as all China specialists know, those boundaries shifted at different times under Mao, fundamentally China was a society in which an extraordinarily wide range of things was considered political. I think that has changed very substantially since Mao died; and China is now a more authoritarian society, in which essentially there are a lot of things that the state really does not care about. If a person wants to raise canaries and walk along the street with them, that is not a political statement. If a scientist wants

to advocate a particular theory in nuclear physics, that is not a political statement. Those things were political before.

The patron-client ties, I think, became important because under Mao there was a de-institutionalization of the system. While the level of political coercion was high during the Cultural Revolution, it was not monopolized and institutionalized, but rather was diffused within the society. As normal political institutions broke down, bureaucratic ways of accomplishing things ceased to be effective, and old personal ties became increasingly important for getting things done. It is those patron-client ties that I am talking about.

The current trend is toward a re-institutionalization of the system and a reaffirmation of bureaucratic approaches to accomplishing things. In a top-down system, though, it is difficult to make fundamental progress in that. Once you have a highly faction-ridden system, it is difficult to rout it out. To the extent that it is routed out, there will be an increasing importance of bureaucratic pluralism in the politics of the People's Republic of China.

Q (Lynn White, Princeton University, New Jersey): Are the reforms that are described really consistent? Are they logically unified? They seem to be a reaction to the Cultural Revolution, but the Cultural Revolution might have two very different lessons. From the lesson of its chaos, a Chinese might think there should now be more centralization, more law and order, more economic control. From a lesson of its intolerance, though, and its lack of diversity, the exact opposite conclusions might be drawn—that there should be more pluralism, more participation, more gathering of information from all sorts of people.

Are the reforms and the modernization ambiguous? Are the legal reforms to protect non-state persons or merely to rationalize and make more predictable—as, for example, Stalin's legal reforms in the 1930s did—a state apparatus? Are the administrative streamlining and the quick turnover of personnel, presumably recruited on a somewhat consistent set of principles, going to make for less diversity? Are these reforms going to increase the scope of people to decide or oppose decisions or will it really increase participation?

A: There are inherent contradictions in the reform effort, and that is one reason I have termed it an effort and not a program. There are a lot of thrusts to what the Chinese are trying to do, some of which require a dispersion of authority while others require a concentration of authority. It is not clear how one reconciles that. The Chinese are trying to make the ideology looser, if you will, more compatible with a wide range of different kinds of initiatives. No one really knows what eventual balances should be struck. At the same time, they are seeking to articulate an ideological framework that would legitimize the whole effort.

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Evaluation of China's Bureaucratic Reforms

By HONG YUNG LEE

ABSTRACT: Among the various reforms initiated by the post-Mao leadership in China, the most crucial for stability of the political leadership and continuity of the policy line is the bureaucratic reform. In the name of making the state apparatus more efficient for economic development, the central Party leaders promoted to leadership positions a new set of cadres who are "revolutionized, better educated, professionally competent, and younger." This article evaluates the results of the reforms in three important organs: the Central Committee, the central government ministries, and the provincial Party secretaryship. The article finds that although a large number of the bureaucratic technocrats has replaced veteran cadres of the civil war era, the gains are temporary, and the regime's efforts to rationalize and institutionalize the personnel management further will encounter much more serious obstacles imposed by the structural conditions of the Leninist party-state.

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IT is well known that one of the most important political bases for the present leadership of Deng Xiaoping and Hu Yaobang is the 3 million key officials who were purged during the Cultural Revolution (CR), but reinstated to powerful positions after the fall of the Gang of Four. It is with their support that the Deng-Hu group managed to shift the regime's main goal from revolution to economic development and to ease out the de facto beneficiaries of the CR, Hua Guofeng and his supporters.

Once these former victims of the CR regained politically prominent positions, they were ready to address themselves to such crucial questions as why the CR occurred, what was wrong with the pre-CR Chinese political system, how they could prevent the recurrence of future political upheavals, and what kind of political and economic institutions China must develop. Their reflections on such questions led them to embark on sweeping structural reforms not only in the state apparatus but also in such functional fields as economic planning, agriculture, industry, and education.

In the political arena, the Deng-Hu group reversed the past trend for political power to impose its will increasingly tightly over the various sectors of the society. More specifically, the group promised to "institutionalize, regularize, and rationalize" the ruling machines as well as the personnel management of cadres who operated these apparatuses. Toward this end the regime has enacted a series of laws and regulations, has established organizational tables to define clearly the responsibilities and functions of each office, and has discouraged the concurrent holding of more than one government, Party, or military position.

Among the various structural reforms and policy innovations, most crucial for China's future is the effort to upgrade the quality of the existing cadres. This is because characteristics of the political elite, rather than institutional arrangements, will continue to have a more direct bearing on what course China will pursue in the future. Institutionalization of any political system in a short period is extremely difficult. Moreover, such crucial questions as how much democratization in politics and use of market mechanisms in economics the reforms should initiate are not yet settled. Thus whether or not China will enjoy political stability and whether or not the policy initiatives of the past few years will continue depend largely on who will be occupying positions of authority at national, local, and enterprise levels. Well aware of this point, the Deng-Hu group has been making a great effort to create a new set of cadres who are not only functionally competent but also politically loyal.

THE PROCEDURE FOR REFORM

The groundwork for the administrative reforms was laid in early 1979 when the official news media initiated criticism of the Maoist practice that emphasized exclusively political criteria for personnel management and inferred political loyalty from "class status" while rejecting anyone with "complicated social relations" or "historical problems."[1] The news media declared that the regime intended to use such objective criteria as ability, age, and cultural level, which have direct bearing on job performance.[2] Soon there were

1. *Jiefang ribao* [Liberation daily], 11 Oct. 1970.

2. *Beijing ribao* [Beijing daily], 27 Feb. 1980.

even reports that the Party would reject the prerequisite of seniority, creating an impression that the regime wanted to depoliticize cadre management.[3] Emphasis was placed on selection of cadres who were "better educated, professionally competent, and younger in age." That slogan soon met with strong opposition from the existing cadres, even from among recently rehabilitated cadres. In response to the resistance, Deng Xiaoping amended the criteria by urging that the reform made the cadre corps "revolutionized" as well as "better educated, professionally competent, and younger in age."[4]

The slogan tells little about the meaning of the word "revolutionized" or its relative weight vis-à-vis other factors. However, a careful reading of the official media indicates that as the Deng-Hu group successfully proceeds to consolidate its power base, the importance attached to being revolutionized increases. In 1982, Song Renqing, director of the Organizational Department of the Central Committee (CC), flatly declared that "those with talent but without political reliability should not be given an important responsibility."[5] All official documents recently issued to guide the Party consolidation seem to attach increasing importance to political factors, and "revolutionized" is now interpreted to mean strict observance of Party discipline and commitment to the present policy line—in brief, it is equivalent to political loyalty to the Deng-Hu group.

Close examination of the several stages of the recent reforms provides some insights into the nature of the regime. In line with the shrewd, pragmatic, but bureaucratic outlook of the Deng-Hu group, the actual process of simplifying administrative structures started, in 1982, with the ministers and vice-ministers of the central government.[6] After finishing the reorganization of the central government, the regime moved to readjust the leadership of the functional departments of the CC—such as the Organizational Department and the Propaganda Department—in the summer of 1982. With the two important central organs secured with reliable new appointees, the Deng-Hu group then moved to convene the Twelfth Party Congress in September 1982. Not surprisingly, a large number of new appointees in the central government and the Party organs entered the Twelfth Central Committee.[7]

Administrative reform at the provincial level started in the later part of 1982, after reorganization of the Central Committee, and readjustment of the leadership was completed in March 1983. As was the case with the reorganization of the central organs, provincial reform began with the top-level leadership—that is, with secretaries and provincial Party committees. The newly established provincial leadership in turn supervised the reshuffling of the leadership directly under them in such functional units as organizational, propaganda, and agri-

3. *Renmin ribao* [People's daily], 28 June 1980; ibid., 22 July 1980.

4. *Issues and Studies*, pp. 81-103, (Mar. 1981).

5. *Renmin ribao*, 1 Sept. 1982.

6. For a detailed analysis of the government reform, see Hong Yung Lee, "Deng Xiaoping's Reform of the Chinese Bureaucracy," in *The Limits of Reform in China*, ed. Ronald Morse (Denver, CO: Westview Press, 1983).

7. For a detailed analysis of the Twelfth Central Committee, see Hong Yung Lee, "China's Twelfth Central Committee: Rehabilitated Cadres and Technocrats," *Asian Survey*, 23(6):673-91 (June 1983).

cultural departments, as well as in Party committees at the municipal, district, and county levels. Having placed politically reliable as well as functionally more competent officials in the key leadership positions, the Deng-Hu group was then ready to carry out the Party rectification campaign in the following three years.

The strategy adopted by the present leadership for bureaucratic reform was extremely realistic and pragmatic. It started with the core leadership group at the central level and then moved slowly and steadily to the less important cadres at the same level, as well as proceeding down to the leadership group at the next level. A reorganized leadership group at each level supervised the reshuffling of the leadership at the next level. Supplemented by the central authority's detailed guidelines specifying age, education, and other requirements for the new leadership, this method must have ensured the maximum influence of the Deng-Hu group even at the lower levels. The documents on the forthcoming Party consolidation make it clear that the same method will be used.

This purely bureaucratic method, in sharp contrast to Mao's strategy of mobilizing masses simultaneously in every sector, did not leave much room, however, for the ordinary cadres or masses to exercise any meaningful influence on the selection of their leaders. Although the official news media frequently underscored the need to consult with the masses, using such methods as opinion polls, there is no evidence that the opinions of the masses were systematically solicited. If there were any input from the ordinary people, it must have been limited to such lower levels as factory and brigade party committees.

REDUCTION IN GOVERNMENT AND PARTY SIZE

At the beginning of the reorganization of the central government organs, the regime announced its plan to reduce the total number of organs directly under the State Council from 98 to 52; the total number of ministers, vice-ministers, heads, and deputy heads of commissions from 1000 to fewer than 300; and the number of directors and deputy directors of the bureaus from 5000 to fewer than 2500.[8] As shown in Table 1, the total number of ministers and vice-ministers—excluding heads and deputy heads of commissions, offices, and agencies—were reduced by 70 percent. The provincial secretaries were reduced by 50 percent. Thus it seems that the regime has achieved approximately its original quantitative targets.

The reorganization actually reduced the number of central government organs from 98 to 61, instead of to the expected 52. This was done by abolishing many commissions, such as the State Agricultural Commission; merging some ministries, for example, the Ministry of Power Industry with the Ministry of Water Conservancy; and at the same time establishing new ministries, such as the Ministry of Aviation Industry and the Ministry of Electronic Industry.

Reduction of personnel at the levels of functional bureaus of the central government and departments of the provincial governments appears to be equally impressive. The bureaus with staff functions were merged, and some of the support functions—such as running nursery schools for the ministry personnel's children and operating motor pools—were transferred to newly

8. *Daily Report*, 9 Mar. 1982.

TABLE 1
SCOPE OF CHANGES IN THE CENTRAL COMMITTEE (CC), PROVINCIAL PARTY LEADERSHIP, AND CENTRAL MINISTRIES

	Before the Reforms, Total Number	After the Reforms				
		Total Number	Survivors of the Reforms		New Cadre	
			Number	(%)	Number	(%)
Members of the CC	354*	341†	151 of 354	(43)	190 of 341	(56)
Provincial Party secretaries	229	137‡	66 of 229	(29)	71 of 137	(51)
Ministers and vice-ministers	474	143§	49 of 474	(10)	94 of 143	(62)

NOTE: Not included are the heads and deputy heads of commissions.
*Eleventh CC.
†Twelfth CC.
‡Reduction of 50 percent.
§Reduction of 70 percent.

established, independent corporations that will eventually operate on the principle of profit and loss.

The reductions in personnel and government organs were not without cost to the regime, however. As a means to force retirement, the regime developed attractive pension benefits and promised to continue certain types of privileges to retirees. The result was an increase in the financial burden to the state. Moreover, the regime established an elaborate advisory system that reaches from the Central Committee down to the lower level, with each advisory group hierarchically organized with its own chair and vice-chair. Depending on the future relationship between the advisory groups and the decision-making bodies at each level, this advisory system may later cause some political problems for the regime.

In terms of personnel changes, only 43 percent of the Eleventh Central Committee members made it into the Twelfth CC—slightly higher than the portion of the Eighth CC members who bore the brunt of the Cultural Revolution but lower than the portion of the Ninth CC and Tenth CC members affected by the purges of Liu Biao and the Gang of Four. Of the incumbent provincial Party secretaries, 27 percent survived the reforms, and only 10 percent of the ministers and vice-ministers managed to retain their positions after the reforms. This high casualty rate means that despite the overall reduction in the number of positions, the Deng-Hu group could promote a large number of cadres of their choice. After the reorganization, members of the newly promoted cadres constituted a majority: 62 percent in the central government, 56 percent in the CC, and 51 percent in the provincial secretaryship. On the whole this represents changes even more sweeping than those created by the mass mobilizations in the Cultural Revolution.

If everything is equal, it is reasonable to assume that it would have been easier for the Deng-Hu group to exercise its influence in deciding who would be promoted to leading positions than in

TABLE 2
AVERAGE AGE OF THE LEADERSHIP AFTER THE REFORMS

	Survivors of the Reforms		New Cadre		Total	
	Age	(N)	Age	(N)	Age	(N)
Members of the Central Committee (CC)	70	(52)	56	(56)	63	(118)
Ministers and vice-ministers	66	(19)	59	(28)	61	(47)
Provincial secretaries	60	(13)	58	(9)	59	(22)
Directors and deputy directors of the CC organs*	68	(8)		(0)	68	(8)

*Due to the unreliability of information on the date of appointment, directors and deputy directors are counted as survivors.

deciding which incumbents would be removed. Presumably too, those who are newly promoted, owing their promotion to the reforms, would be more loyal to the Deng-Hu group than those who reached their positions before the reforms. If so, the different ratios of the newly promoted to the old guard in the central government, the CC, and the provincial secretaryship may not be accidental; rather, it may indicate the different extent to which the Deng-Hu group could exercise its predominant influence.

The need to appoint those with objective, job-related qualifications to lead the central government is generally persuasive even among those who disagree with the basic orientation of the Deng-Hu group, because the main function of the central government has been redefined as economic management rather than political leadership. However, the provincial secretaryship is a different case. Being removed from the center by one level and having had their own entrenched power structure, the provinces would not have allowed the Deng-Hu group complete freedom in selecting new leaders.

Seats in the CC are largely honorary and prestigious but without much actual power. For this reason, the Deng-Hu group seems to have allowed a large number of senior members of cadres—with an average age of 70 years—shown in Table 2—to remain. Perhaps, however, the Deng-Hu group did not have enough muscle to dislodge them. The latter seems to be the case with such powerful and nationally visible positions as membership in the politburo and chairs and vice-chairs of the various standing committees of the People's National Congress. However, the major problem with the veteran officials—for example, Li Xiannian and Ye Jianying—is that they do not have their own successors of young cadres, and the Deng-Hu group seems to be willing to wait until nature takes its course.

Table 2 shows significant age differences between the leftover and the newly appointed groups—from 13 years in the CC to 2 years in the provinces. Although not shown in the table, substantial age

differences exist between the full members of the CC, ministers, and first secretaries on the one hand, and alternate members, vice-ministers, and secretaries on the other. The difference between the full and alternate members is 10 years; between the ministers and vice-ministers, 5 years; and between the first secretaries and secretaries, 10 years. This indicates that despite the official rejection of seniority, it is still an important factor. The reforms, however, lowered the average age of the new leadership group by 5 to 7 years, largely by bringing in a younger generation—those in their late 50s. The average age of the new leadership group is still rather high, though, and for this reason the Deng-Hu group, as we will see later, is preparing a list of successors to the present leadership.

CAREER HISTORIES OF THE NEW LEADERS

Information on the educational level of individual leaders is scarce, and for those who have been working for a long time, practical knowledge obtained through on-the-job training must be as important as formal education. Table 3 examines the career backgrounds of the new leaders. Several observations can be made.

First, because very few officials—only 12—are senior enough to have started their careers from the level of ministers, secretaries, or directors in the early 1950s, it is obvious that the first generation of Chinese revolutionaries is disappearing from the important organs that this article examines. Many of the veteran senior members of cadres are too old to hold any demanding positions and are retired to advisory positions.

Second, a large proportion—40 percent—of the present ministers and vice-ministers started their careers at the level of director and deputy director of the functional bureaus of government ministries. If one includes those who had career experience in the functional departments at the provincial level, the number of persons with long work experience in functional fields rises to 55 percent. The term most appropriate for this group is "bureaucratic technocrats."

Anyone who reached the level of heading functional bureaus or departments before the Cultural Revolution must have some technical expertise. The bureaucratic technocrat, however, should be distinguished from professionals who receive job-related training prior to taking bureaucratic positions. If one follows Gouldner's distinction between intelligentsia and intellectuals, the bureaucratic technocrats resemble the intelligentsia, whose main function is to utilize their expertise to improve and maintain, rather than to change, the existing system.[9] Nonetheless, promotion of career bureaucrats with functional competency acquired through on-the-job training, rather than through formal education, should be considered a substantial improvement, particularly compared to the practice of Mao's era.

Third, the quality of the provincial leadership appears to have improved, too. Of the new leaders, 37 percent had once served as director or deputy director of the functional departments at the same level. Their functional competency, however, is much lower than that of the central government leaders. Of the new provincial leaders, 29 percent are from the secretary positions at the lower level. Moreover, few people moved from factory management positions to become

9. Alvin Gouldner, *The Future of Intellectuals and the Rise of the New Class* (New York: Seabury Press, 1979).

TABLE 3
CAREER BACKGROUNDS OF THE NEW LEADERSHIP

Background		Ministers and Vice-ministers N	(%)	Directors and Deputy Directors N	(%)	Secretaries N	(%)	Total N	(%)
Government	Vice-minister	2	(2)	3	(14)	7	(7)	12	(6)
	Bureau director	35	(40)	2	(9)	3	(3)	40	(20)
Party	Provincial secretary	2	(2)	1	(5)	0		3	(1.5)
	Municipal, district, or county secretary	3	(3)	2	(9)	28	(29)	33	(16)
	Director of provincial functional organ	13	(15)	4	(18)	36	(38)	53	(26)
	Factory position	10	(12)	0		1	(1)	11	(5)
Mass organizations	Schools	3	(4)	2	(9)	2	(2)	7	(3)
	Chinese Youth League	2	(2)	6	(27)	11	(11)	19	(9)
	Labor unions	0		0		1	(1)	1	(0.5)
	Professional organizations	16	(19)	2	(9)	3	(3)	21	(10)
Military	Political committees	0		0		4	(4)	4	(2)
Total*		86	(99)	22	(100)	96	(99)	204	(99)

*Percentages do not sum to 100 due to rounding error.

TABLE 4
AREAS OF WORK EXPERIENCE OF THE NEW LEADERSHIP

	Ministers and Vice-ministers		Secretaries		Directors		Total	
Work Experience	N	(%)	N	(%)	N	(%)	N	(%)
Coercion —public security, the military	8	(9)	8	(7)	1	(5)	17	(8)
Production —industry, agriculture, finance, transportation	55	(60)	36	(32)	4	(18)	95	(42)
Ideology —propaganda, education	10	(11)	7	(6)	2	(9)	19	(8)
Political work —secretary, organization secretary-general	7	(8)	47	(42)	7	(32)	61	(27)
Mass works —Chinese Youth League, labor unions, nationalities	2	(2)	13	(12)	8	(36)	23	(10)
Other functional work —legal work, public health, diplomacy	9	(10)	1	(1)	0		10	(5)
Total	91	(100)	112	(100)	22	(100)	225	(100)

provincial secretaries, whereas 11 percent of the central government leaders followed that career pattern and 18 percent of the 86 ministers and vice-ministers have such technical titles as "engineer." More people moved from the central government positions to the provincial Party secretary positions than vice versa. This is particularly so if one uses the positions immediately preceding the reform as a basis for counting. This comparison makes it clear that the functional competency of the central government cadre is much higher than that of the provincial Party secretaries.

Fourth, as far as any sign of factional favoritism is concerned, it is worth noting that 6 out of the 20 leaders of the central Party organ had once served as leaders in the Chinese Youth League (CYL), the organization that Hu Yaobang headed before the CR. Even though the main function of the CYL is to train future Party leaders, the concentration of former CYL cadres in the central Party organs can be interpreted as part of Hu's effort to staff the organs with those personally close to him. It should be noted also that, in sharp contrast to the CR period, professional soldiers are systematically excluded from the key Party and government positions.

Table 4 shows that 60 percent of the ministers and vice-ministers are identified as having work experience in production—industry, agriculture, finance,

and transportation. Although we do not have comparable figures for the pre-reform leadership, this figure appears to be quite high, indicating the regime's commitment to economic development. Among the subcategories of production, most people have experience in production rather than planning—for instance, economic or management planning—and surprisingly few people have work experience in agriculture. Moreover, it should be noted that the proportion of cadres with experience in the ideological and political fields is quite low—8 percent and 10 percent, respectively, among the central government leaders.

In contrast, a high percentage—42 percent—of provincial Party secretaries have their career backgrounds exclusively in what I call political fields—positions in such organizations as secretariats, organizational departments, offices of the secretary-general, and Party committees at the lower level. This sharp contrast between the two groups of leaders may be due to the different functions that the government and the Party are expected to perform. Or it may imply that, as noted, the Deng-Hu group's influence was checkmated by the entrenched local interests. Whichever may be the more valid reason, there is no doubt that the provincial leadership will continue to be more conservative, willing to defend the vested interests of the Party.

Conspicuous in Table 4 is the underrepresentation of mass organizations. Most of the persons under the category of mass works—a category comprising only 10 percent of all work experience—are former CYL officials and those with experience in nationality affairs. As far as I can determine, only one person with a career background in labor unions was promoted to provincial leadership. This contrasts sharply with the situation at the time of the Gang of Four, when many cadres of the provincial labor unions were promoted to the position of Party secretary.

On the whole, the regime so far has been quite successful in achieving its original goals. Reduction of the number of offices and personnel at the various levels is quite impressive, even though it seems that the total size of the cadres increased from 20 million to 21 million.[10] My analysis, by and large, confirms the regime's claim that the total number of provincial cadres has been reduced by 34 percent, and those cadres at the municipal and district levels, by 36 percent. Moreover, the majority of the new leadership is newly promoted, constituting more than 50 percent of the leaders at the municipal and district levels. According to one report, the educational level of the provincial leadership has been substantially raised; now 43 percent of the provincial cadre has a college-level education, in contrast to 20 percent before the reforms. For the municipal and district cadres, the proportion with a college-level education has risen from a mere 14 percent to 44 percent.[11] As noted, the level of specialized knowledge possessed by the post-reform cadres appears to be substantially higher than those of their predecessors.

The way the official media report the improvement of the cadres' level of education confirms the hypothesis that the requirements of age, educational level, and professional knowledge are more strictly observed for those who are newly promoted than for incumbents.

10. *Renmin ribao*, 22 July 1983.
11. Ibid., 1 Jan. 1984.

For instance, it is reported that 70 percent of those who are newly promoted to provincial leadership and "more than two thirds" of those who are promoted to municipal and district leadership have a college-level education.[12] If one assumes that the average age of the newly promoted is about 58, one can surmize that many of them graduated from college around the time that Mao established the People's Republic of China.

It appears that the regime has systematically used the strategy known as "first entrance, then exit."[13] That is, the old, incumbent cadres recruit their own successors and train—or watch—them for a while, and only when the new successors have proven their ability and loyalty will the old cadres retire. By this method, the Deng-Hu group hopes to ensure stability of the political leadership, continuity of the policy line, as well as the authority of the senior cadres, while at the same time reducing the average age of the entire existing leadership and raising its educational level and technical competency.

CONTINUING PROBLEMS

On balance, the present Deng-Hu group has succeeded in making the cadres in the top-level positions a bit more competent professionally and at the same time politically reliable. This success is largely due to the shrewd strategy of carrying out reforms gradually from the top down and stage by stage, a strategy designed to maximize the influence of the Deng-Hu group. In addition, the attractive retirement program has neutralized possible resistance from those who would lose the most as a result of the reforms. Moreover, instead of setting up highly inflated goals, the regime showed flexibility by making concessions to the existing cadre corps and by postponing the realization of highly ambitious goals. In this context, the Party consolidation campaign, although exclusively an internal Party affair, should be understood as part of the continuing effort to improve the quality of the cadres and to rationalize the ruling structures.[14]

Although the bureaucratic reforms are apparently successful on several counts, some problems persist. The lower the level, the stiffer the resistance that the reforms encounter. For instance, until recently 60 percent of the state-owned enterprises have finished reorganization of their leadership; but only half of the reorganized leadership meets the specifications that the central authority set up.[15] The average age of the new leaders at all levels is still high, and the levels of their cultural and functional knowledge are still unsatisfactory. For instance, the leading cadres in the organs directly under the Beijing municipality have few officials below the age of 45 and, worse still, 30 percent of them will reach retirement age by 1985.[16]

In order to deal with these problems, the Organizational Department of the CC recently instructed the cadres in personnel management at all levels to prepare an eight-year plan for further rationalization and to produce by the first half of 1984 a list of a third echelon of cadres.[17] The "third echelon," which is

12. Ibid.
13. *Hung qi* [Red flag], no. 2 (1981).
14. "The Decision of the Central Committee of the Communist Party of China on Party Consolidation," *Beijing Review*, 17 Oct. 1983, pp. 1-15.
15. *Renmin ribao*, 3 July 1983.
16. Ibid., 1 Sept. 1983.
17. Ibid., 22 July 1983.

discussed with increasing frequency in the official news media, refers to cadres slated to succeed to the leadership in the future.[18] The concept combines three sets of ideas: the ideas of the Soviet Union's *nomanklatura*—the list of individuals eligible for certain positions; the Chinese idea of consciously training successors; and the currently popular idea of competition. Those individuals designated as third echelon will receive special training and prove themselves by competing for a limited number of leadership positions.

As the Deng-Hu group consolidates its power position, the requirements of age, cultural level, and technical knowledge are more restrictive. Now the regime rejects the idea that long experience in actual work can be a substitute for formal education.[19] For the age requirement, the regime insists that all those in the third echelon should be under the age of 40.[20] Ironically, this age group belongs to what is known as the lost generation, whose education was disrupted by the CR and whose political reliability is questioned so much that they are admittedly the main target of the forthcoming Party consolidation campaign.[21]

Besides these specific problems, there are some deeply rooted structural obstacles to further improvement of the quality of the cadres. For instance, the total number of college graduates in China is estimated to be almost 5.6 million, whereas the total size of the cadres is 21 million and the number of Party members is 40 million.[22] Moreover, by making college degrees a prerequisite to cadre positions—the positions that will continue to be the exclusive source of power, prestige, and attractive economic reward—the new criterion will have profound implications for China's social stratification. Not surprisingly, many cadres with a working-class background publicly protest that "when too many intellectuals join the Party, the Party will change its nature."[23] Tragically, it is also true that China lost the right moment to train "proletarian intellectuals," as Stalin did forcefully in the 1930s and many Eastern European countries did successfully in the 1950s.[24]

In post-Mao China, where Mao's ghost still lingers, how fair it is to use formal education as the major criterion for cadre recruitment will largely depend on what kind of educational opportunities the children with working-class backgrounds can have. The present college admission policy exclusively emphasizing academic achievements—and giving no consideration to class background—will certainly benefit the children of incumbent cadres and existing professional groups while leaving the children from the working class bitter.[25]

Another structural limit lies with a political consideration that the Deng-Hu group cannot avoid. No political faction can pursue purely objective cri-

18. Ibid., 1 Sept. 1983; ibid., 10 Sept. 1983.
19. Ibid., 22 July 1983.
20. Ibid.
21. *Beijing Review*, 17 Oct. 1983, pp. 1-15.
22. *Renmin ribao*, 22 July 1983.
23. Ibid., 4 July 1983.
24. Sheila Fitzpatrick, "Stalin and the Making of the New Elite, 1928-1929," *Slavic Review*, 38(3):378-402 (Sept. 1979); Peter C. Ludz, *The Changing Party Elite in East Germany* (Cambridge, MA: MIT Press, 1968); Thomas A. Baylis, *The Technical Intelligensia and the East German Elite* (Berkeley: University of California Press, 1974).
25. For new educational policy, see Jonathan Unger, *Education under Mao* (New York: Columbia University Press, 1982).

teria for personnel management to the extent of undermining its own power position. Similarly, the Party cannot drop certain aspects of Marxism-Leninism for the sake of economic development. This necessary political consideration imposes basic constraints on the present effort to rationalize and institutionalize the personnel management system. In some respects, even the state constitution is tailor-made to accommodate the existing distribution of political power among the top leaders and contending groups. For the same reason it is not a surprise to find no sign that the personnel management system will be democratized.

The effort to rationalize and institutionalize the personnel management system aims to make it a more effective tool of the state rather than more receptive to the interests and demands of the various social groups. Infusion of the large number of bureaucratic technocrats can make the system a bit more efficient, but not necessarily representative of the various social forces.

Furthermore, as shown by many studies on the Soviet Union and other socialist countries, the technocrats in socialist society will not replace totally the "red" politicians—officials who owe their positions to their political reliability rather than to their expertise—because red politicians play many important roles for the normal operation of the imperfect socialist system.[26] For instance, under China's present economic system, in which profit is used as the main criterion for evaluating the performance of each enterprise and scarce goods are largely allocated by the state plan, what are needed are not only technocrats but also political managers who use their political connections—*guanxi* in Chinese—to obtain essential materials for inputs. This type of official is needed not only for the enterprise but also for the ordinary workers, because the bonuses they receive depend largely on profit, and without raw materials production cannot continue or yield a profit.

To conclude, access to decision-making positions by the bureaucratic technocrats represents a sharp departure from past practice and thereby indicates the regime's determination to foster economic development and industrialization. Industrialization, however, does not necessarily accompany political democratization. Thus one can conclude that the political implication of the changes in the cadre corps is that the Chinese political system will be more like what political scientists call authoritarian.

26. Jerry Hough, *The Soviet Prefect: The Local Party Organs in Industrial Decision-Making* (Cambridge, MA: Harvard University Press, 1969).

* * *

QUESTIONS AND ANSWERS

Q: Can your data lend themselves to a prediction of a successor after the passing of Deng Xiaoping?

A: This specific question has been the question that many Chinese specialists have been wondering about. When Americans have asked that question of the Chinese, the Chinese would pose a counterquestion, saying, Can you predict who will be elected in your next

election? Did you foresee the outcome for President Carter before the election campaign? And I think we are in the same situation. But what I can say as a social scientist is that the entire effort of the reform was geared to making the succession very peaceful. On the basis of what I have said and what I have seen, I feel that Hu Yaobang has consolidated his power base successfully, and a few days ago, Deng Xiaoping actually mentioned in specific terms that if Deng died soon, even today, the present policy line will continue as it is.

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An Overview of Chinese Law and Legal Education

By R. RANDLE EDWARDS

ABSTRACT: This article surveys the remarkable transformation of law and legal education in China in the past few years. Not long after the Gang of Four was toppled in 1976, a long-term legal development plan was adopted. Its steady implementation has led to widespread codification, an extension of courts, a restoration and expansion of the legal profession, an ambitious and popular legal education program, and substantial growth in formal legal education. Previously an authoritarian political tradition and a preference for mediation over litigation had retarded the development of a formal and autonomous legal system in China. Today, however, the popular demand for stability and justice, the need for legal rules and procedures to improve economic efficiency, and the desire to attract foreign technology and investment serve as powerful motivations for strengthening the legal system. The resulting need for more legal specialists has spawned more than 30 new law schools, along with a growing program of legal education exchange with the United States and other countries.

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CHINESE law and legal education are in the midst of the most rapid and significant changes in 50 years. In China, law was first regarded as, at best, irrelevant and, at worst, a disruption of harmony and later an obstacle to revolutionary development. Law is now, however, viewed as a principal tool for the achievement of socialist justice, social stability, and economic development. The prevailing attitude toward legal education has undergone a similar change. Cut back sharply in the 1950s and virtually abolished during the Cultural Revolution of the 1960s and 1970s, legal education is now a star in the crown of the academic estabishment, attracting the brightest students and a growing share of national budgetary allocations. The purpose of these changes is to promote China's legal, economic, political, and social modernization.

My aim in this article is to describe recent developments in legal education in the People's Republic of China within the context of the Chinese government's stated goal of four modernizations—the modernization of China's industry, agriculture, science and technology, and national defense. In describing these developments, I shall also point out contrasts between Chinese and American law school curricula and teaching methodologies.

At the same time, this article will outline the general structure and process of the Chinese legal system as well as the major legal policies and the legislation recently adopted by China's current Party and government leaders. These broad legal policies shape the curriculum of China's law schools and determine teaching and research priorities. The new legal codes and important statutes illustrate China's commitment to strengthening "socialist legality." These new codes and statutes also represent the substantive content of the legal education that will be imparted to the growing numbers of Chinese legal specialists. As they embark on careers as judges, prosecutors, attorneys, and foreign trade officials, the policies embodied in the rules they have studied in law school will determine whether China can maintain order, achieve justice, and reach the higher standards of living imbued in the Chinese concept of modernization.

HISTORICAL INFLUENCES ON CHINESE LAW: DISTANT AND RECENT

Law and legal education, like all other sectors of Chinese life, can be understood only against the somewhat shadowy background of two traditions—China's millenial Confucian heritage and the 50-year history of efforts by the Chinese Communist Party to establish control and bring about a socialist transformation of China's society and economy.

These two traditions contain similarities as well as differences with respect to law and legal education. The criminal code of the People's Republic of China has only a five-year history compared with the more than 2000 years of written imperial, Confucian criminal statutes. Yet law and legal practice under both traditions have been permeated by the influence of an authoritarian political system.

China has long been and today remains a one-party system, with political directions, legal rules, and often even discrete decisions in particular legal cases flowing out and down from the center of the dominant political force,

be it the imperial family or the politburo of the Communist Party. The exercise of political power and the enactment and implementation of legal rules is not subject to influence by other centers of political or economic power. Nor is political power subject to the constraint of transcendant values and rules bestowed by a divine creator. Neither has it evolved over time through conflict and compromise between a secular human society and the dominant state political power and authority.

The founders of the Chinese Communist Party placed their faith in Marxist materialism, not in what they considered bourgeois idealism represented by its belief in natural law and constitutionalism. Law, like all other elements of the so-called social superstructure, was viewed simply as a tool with which the ruling class sustained its dictatorship over the oppressed classes. Laws and legal institutions were also seen as functional weapons to be employed to achieve intermediate goals on the path from feudal society through socialist transition to the ultimate goal of Communist society. The Chinese Communists saw law as a transitory instrument, not a set of lasting values and autonomous procedures.

Operating with such elemental Marxist assumptions about the nature and role of law, it is not surprising that when the Chinese Communist Party seized political power from the Nationalists on 1 October 1949, one of its first acts was to abolish the comprehensive Six Codes that had been laboriously developed over more than 30 years, from a beginning in 1903 under the Qing emperor to their adoption under Chiang Kai-shek in the mid-1930s. The discarded rules were not replaced by comprehensive new laws, because Mao Zedong and the Party did not want to straitjacket the revolutionary forces. The political and social priority at that time was to suppress and eliminate enemy classes, feudal habits, and reactionary ways of thought. As Chairman Mao said,

> [A] revolution is not the same as inviting people to dinner, or writing an essay, or painting a picture, or doing fancy needlework; it cannot be anything so refined, so calm and gentle, or so mild, kind, courteous, restrained and magnanimous. A revolution is an uprising, an act of violence whereby one class overthrows another.[1]

In short order most of the lawyers, judges, and law professors trained under the Nationalists were discarded, as were the Nationalist codes. The Nationalist judicial system was replaced by kangaroo courts run by the aroused peasants who enforced "revolutionary justice" over "evil" landlords. When a limited number of courts was reestablished in the early and middle 1950s, they were staffed largely by politically reliable Party members with little or no formal legal training.

Law schools were also sharply curtailed in number and in operations. In 1947 there were 37,000 law students in China; in 1949 there were 63 law schools. By 1952 most of the law schools had been closed or merged, and there were but 3800 law students throughout China. By the first Golden Age of Law in the mid-1950s, following the promulgation of a state constitution in 1954 and a short-lived experiment with the establishment of a legal profession, there were 10 law schools and 8200 students enrolled.

1. "Report of an Investigation into the Peasant Movement in Hunan (1927)," trans. in *Selected Works of Mao Tse-Tung* (London: Lawrence and Wishard, 1954), 1:27.

The promising movement toward greater legal formality and predictability, comprehensive codification, and open trials in the mid-1950s was blocked by Mao in 1957 when he pushed through an "anti-rightist" campaign that purged scores of leading law professors and Party officials who advocated codification and the estabishment of a more rational and stable socialist legality. After the dismal failure of Mao's Great Leap Forward in 1958, advocates of political and economic pragmatism and gradualism forced Mao to accept some policy compromises and to promulgate various statutes in the early 1960s. Statements issued after Mao's death in 1976 also reveal that work on drafts of criminal and civil codes continued in the early 1960s.

The hopes of those advocating an ambitious program to promulgate codes, train lawyers, and strengthen courts were completely dashed, however, when Mao unleashed the Great Proletarian Cultural Revolution in 1966. Primarily intended by Mao to discredit Party moderates who opposed his leftist commitment to "continuing revolution" and "politics over economics," the Cultural Revolution quickly got out of hand, eventually paralyzing the Party, disrupting the economy, and decimating institutions of higher education, including virtually all law schools. Law was one of the principal targets of the radical Cultural Revolution faction, which successfully exhorted mobs of youthful Red Guards to "smash the police, procuracy, and the courts."

Along with the institutional casualties were untold millions of human beings who were wrongfully and maliciously detained, tortured, and sometimes executed. Prominent among the most abused victims were high Party and government officials and their families. It is not surprising that when these officials and their supporters turned the tables and overthrew the Gang of Four after Mao's death, they sought to enact laws and establish procedures to ensure prosperity and security and to reduce to a minimum the prospects of a repetition of the horrors of the Cultural Revolution.

THE FOUR MODERNIZATIONS AND THE THREE MOTIVATIONS

Law and legal education in China are designed to promote policy aims designated by the leaders of the Chinese Communist Party. Since the reemergence of Deng Xiaoping as China's paramount leader five years ago, the overriding purpose of all policies and institutional reforms has been to assure the achievement of the four modernizations—in industry, agriculture, science and technology, and national defense. Deng and his supporters, who now command the key positions in every sector of the government, economy, and society, have set in motion a long-range reorientation of laws, personnel training and selection, and policy-enforcement procedures, all calculated to enhance stable and rapid economic growth.

In the realm of education, the political criteria for selection and promotion have been replaced by criteria of merit—determined primarily by results on a uniform national examination—for admission to hierarchically structured educational institutions. Placement in choice jobs is determined chiefly by academic achievement in first-rank institutions of higher education, although personal relations still exert some influence.

As I noted earlier, prevailing Party policy stresses the importance of law

and the necessity for rapid expansion of the ranks of well-trained legal specialists. In 1978 an eight-year plan for development of law, legal institutions, and legal education was adopted. The program called for the opening of at least one law faculty in each of China's 29 provinces, the speedy reestablishment of the legal profession, the expansion of courts, and the progressive drafting and promulgation of criminal and civil codes, as well as scores of other important laws and regulations.

While equally ambitious goals for industrial growth established at the same time had to be trimmed back later, virtually every target contained in the eight-year plan for legal development has been met on schedule. Thus, as China's vice-minister of justice noted in January 1984 at the first national meeting on legal education held in China in more than 20 years, there are now 35 institutions of higher education in law in China. This represents an increase of 250 percent over the pre-Cultural Revolution high point of 10 law schools in 1957.[2] The number of law students has also climbed dramatically, from 1300 in 1978 to 12,000 in 1983, far more than the pre-Cultural Revolution peak of 8200 in 1957. The number of lawyers has reached approximately 15,000 in 1984, compared to around 2500 in 1979.[3] These figures are still minuscule compared to the United States, where 581,000 lawyers practice and 220,000 students are currently enrolled in law schools, but the number of American lawyers and law students has stabilized, whereas the number of Chinese lawyers and law students continues to rise steadily.

The enactment of scores of laws and regulations—including a code of criminal law, codes of criminal and civil procedure, an economic contract law, a patent law, and a law on joint ventures with foreign capital—also offers dramatic testimony to the seriousness of the Chinese leadership's commitment to strengthening legality. These developments promise increased social and political stability and enhanced economic predictability, which are attractive to foreign investors as well as to Chinese citizens.

What are the principal reasons for these unprecedented developments in Chinese law and legal education? Three motivations seem to have triggered China's law reform movement and to provide continuing impetus for a lasting commitment to build a regular and predictable legal process. These motivations are as follows:

—a popular demand for legal protection against arbitrary behavior by Party or government officials or by other citizens;

—the need for clear guidelines for economic activity whether the actor be an individual, a collective, or a state-owned corporation; and

—the need for a systematic network of rules and procedures in civil, economic, and commercial law to attract and protect foreign capital and technology.

The demand for legal protection against the kind of arbitrary behavior that characterized the Cultural Revolution resulted in the first major legislative

2. "We Must Exert Ourselves to Create a New Situation in Legal Higher Education," *Fa zhi bao* [Legal system news], 9 Jan. 1984, p. 1.

3. Mark Sidel, "Legal Education and Legal Training in the People's Republic of China: A Preliminary Survey" (Manuscript, Columbia University Law School, 1984).

enactments after the fall of the Gang of Four. These were the codes of criminal law and criminal procedure. This same concern has led to the reestablishment of legal advisory offices to provide inexpensive or free counsel to defendants in criminal proceedings. Concern for regular and fair enforcement of the criminal law has also significantly influenced the pace of expansion in legal education, the nature of law school curriculum, and the content of the numerous law journals that have emerged in recent years.

The need for clear guidelines for economic activity aims to address the difficulties of the bad old days of the Cultural Revolution and even earlier, when contracts were not enforced, goods were often shoddy in quality and delivered late, and resources were not fully utilized due to the lack of precise legal rules governing rights, obligations, and other essential terms that shape relations between producers and consumers or workers and management. In short, comprehensive and detailed economic laws and rigorous enforcement by lawyers and the courts are essential to China's successful modernization. No doubt Max Weber would be well received in China today.

The third motivation, for the enactment of a systematic network of rules and procedures in civil, economic, and commercial law, is to attract and protect foreign capital and technology. China's leaders recognize that foreign technology and capital can speed up China's modernization. They have also recognized that China must establish an appropriate legal infrastructure and train sufficient personnel familiar with international and foreign economic law to attract the right foreign investors and acquire the technology necessary for modernization.

HISTORY AND BASIC CHARACTERISTICS OF CHINESE LEGAL EDUCATION

The curriculum, enrollment, job placement, and pedagogical policies of Chinese law schools represent an amalgam of European and common-law influences, as well as the strong influence of the planned nature of the Chinese economy and of the priorities established by the four modernizations program. Formal legal education in China dates only from the early part of this century. Because the private practice of law was forbidden by the imperial criminal code as a parasitic act disruptive of social harmony, there was naturally no formal education in law until the winds of social and institutional reform began to stir during the latter part of the Qing dynasty.

The law faculty of the imperial university in Beijing employed European, Japanese, and American teachers. The European influence predominated, however, for the continental civil law system was more in harmony with major elements of the indigenous Chinese legal tradition. The continental system stressed the dominant role of legislation as opposed to innovative judicial lawmaking, and systematic theoretical formulations of law in contrast to the American emphasis on discovering the law and developing analytical skills through rigorous examination of particular appellate decisions. Chinese legal education, like European legal education, was and remains today primarily an undergraduate academic discipline rather than a system of postgraduate professional training, as it has been in the United States for almost 100 years.

Another European characteristic of Chinese legal careers is that the jobs assigned at graduation are usually per-

manent. Judges begin as apprentice judges upon graduation from their undergraduate school and usually will not change or be allowed to shift to another legal career, such as prosecutor or attorney in a government-operated legal advisory office.

Compared with American legal education, Chinese law teaching remains extremely academic and theoretical, just as it was before the establishment of the People's Republic of China in 1949. This characteristic quality has been recently deplored by Liu Fuzhi, secretary-general of the Political-Legal Committee of the Central Committee of the Chinese Communist Party. In a speech before the National Seminar on Legal Education, Liu said that "higher education in law should be closely linked to practice, and we must lead our law teachers to develop our law and legal education from the vantage point of our country's current reality." He called for the "political-legal organs" to assist law schools in

> establishing links with reality by regularly introducing teachers to actual conditions, providing necessary materials and case precedents, inviting law teachers to participate in relevant work conferences, helping to arrange for law students to engage in practical training, and so forth.[4]

The present reality is still some distance from Liu's aim, given that Chinese law professors have had very little direct experience in the political-legal organs or in handling legal aspects of domestic or foreign commercial relationships. As a result, many of China's foreign trade organs have adopted the expedient of running short, cram courses in foreign economic law for their contracting personnel, with foreign lawyers often invited to serve as lecturers.

Yet another feature of Chinese teaching and research that will strike the American observer as unfamiliar and somewhat puzzling is the separation of law teaching and legal research. Although teachers in Chinese law schools generally produce their own textbooks and are expected to engage in a certain amount of research work and scholarly publication, some senior legal specialists are assigned to research institutes that do very little or no teaching of law. This approach is apparently based on the model developed in the Soviet Union and followed in most socialist countries.

Chinese law teachers, like their European counterparts, rely primarily on the lecture method of teaching. Students in China do what students do everywhere—they memorize what the teacher says and attempt to repeat his or her sage words in the proper sequence at the appropriate point in the final examination. Any reasoning that takes place in an examination situation tends to be deductive from alleged first principles. This approach is in marked contrast to that employed in the American law school, where the Socratic method is used to force the student to reason inductively from complex factual situations and to analyze and synthesize independently and creatively by learning to "think like a lawyer."

Structure and curriculum

Chinese legal education has geared up to respond to domestic demands for personal security, social stability, and economic predictability and rationality and to attract foreign capital and technology through the accomplishment of three specific tasks. China intends to

4. "We Must Exert Ourselves," p. 1.

(1) upgrade the skills of tens of thousands of legal personnel, only a small fraction of whom have received any formal legal education; (2) train tens of thousands of badly needed new legal specialists; and (3) establish an extensive and sustained program of popular legal education—through the media and the schools—to increase compliance with laws and public support of socialist legality.

To accomplish these goals, China's institutions for formal higher education in law have increased in number, expanded enrollments, and instituted a wide variety of programs. In addition to undergraduate concentrations in law, there are three-year graduate programs in law, three-year programs at night schools, two- and three-year courses at correspondence schools, individual study and examination programs, television legal study courses, one-year intensive courses for senior legal personnel, shorter specialized legal study programs, and a general course in law required for high school students.

These various full-time and part-time legal study programs are directed by legal education institutions under the supervision of either the Ministry of Education or the Ministry of Justice. The Ministry of Education supervises 31 faculties of law in comprehensive universities throughout China. The Ministry of Justice supervises the newly established China University of Political Science and Law in Beijing as well as three institutes of political science and law in Shanghai, Xi'an, and Chongqing.

The China University and the three institutes under the Ministry of Justice are devoted exclusively to the training of legal personnel. Upon graduation, most students of these institutions become judges, prosecutors, or defense attorneys in government-run legal advisory offices. A few are retained by their schools as instructors. A small number of graduates are now assigned to other government agencies, including those involved in foreign trade, as legal advisers.

One recent and important new development is the establishment of a graduate school in the China University of Political Science and Law, itself founded only in 1983. The graduate school has admitted a class of 144 students to a three-year program. Upon graduation, students will embark on careers as legal researchers or as teachers in the schools directed by the Ministry of Justice. Two more institutes of political science and law will be added to the growing network run by the Justice Ministry—one in Wuhan and the other in the Northeast. Chinese officials expect that by 1988 there will be approximately 18,000 undergraduate law students in schools under the Ministry of Justice, with 4500 graduating each year.

Another major contribution by the Ministry of Justice to the national program to increase the number of trained legal personnel is the operation of a wide array of programs designed to upgrade the skills of thousands of currently employed judges, prosecutors, public security officers, and notaries. Legal officials at provincial and higher levels are sent to a year-long retraining program at the Central Politics and Law Cadre School in Henan Province or to the In-Service Training Institute of the China University of Political Science and Law. At both of these institutions they enroll in a broad curriculum designed to bring them up to date on new legislation and to instill a commitment to enforce the law in strict compliance with the more rigorous standards of a newly strengthened socialist legal system. Legal personnel at lower levels are required to

participate in similar refresher courses, offered by provincial and local governments.

Faculties of law in China's comprehensive universities play a somewhat different role from the role of the law schools under the Ministry of Justice, and they reflect both advantages and disadvantages. Graduates of faculties of law move into research in independent legal research institutes, teaching at their alma mater or at another university, or do legal work in the Chinese State Council, the Ministry of Foreign Affairs, or other government agencies. Some graduates also become defense attorneys, judges, or prosecutors, although the number of graduates of faculties of law entering these fields will be fewer than the number assigned from schools of political science and law. One of the advantages of attending a university law faculty is that the student shares in the somewhat higher prestige of university training and enjoys better prospects of assignment to an interesting and challenging legal post upon graduation. A disadvantage, at least currently, is that university law students do not have as great an opportunity to study practical legal skills as do their counterparts in the schools of political science and law.

The curriculum in both faculties of law and institutes of political science and law consists largely of required courses for the first two years of the four-year bachelor's degree program. Students in faculties of law and institutes of political science and law take essentially the same required courses, taught by the lecture method, largely from the same textbooks, which are prepared under the joint auspices of the Ministries of Education and Justice. Required courses now include jurisprudence, constitutional law, Chinese legal history, foreign legal history, civil law, civil procedure, criminal law, criminal procedure, criminal investigation, economic law, international law, private international law, forensic medicine, logic, Chinese language, basic theory of Marxism-Leninism, philosophy, Chinese Communist Party history, a foreign language, and physical education.

In the last two years students select a specialized field of legal study; that choice of specialty will determine the individual's lifetime career. Most university law faculties offer specializations in domestic Chinese law and in international law, and in recent years many faculties have added a concentration in economic law. Students in university law faculties must spend three months in a clinical program working at a court, a legal advisory office, or a prosecutor's office. The concern expressed by China's leaders that law graduates are not sufficiently exposed to the practical aspects of legal work has led to recent discussion of extending the clinical training period to six months.

POPULAR ATTITUDES TOWARD LAW: MASS LEGAL EDUCATION

China's leaders recognize that in order to make law a key instrument for achieving stability, social justice, and economic development, it will be necessary not only to train thousands of professional legal personnel but also to reverse the distrust of law and legal procedures long reflected in popular attitudes and habits. The Chinese leadership believes that citizens must know the law and regard it as both a source of support and an accessible instrument for securing their legitimate rights and resolving recurring problems.

China does not have a tradition of placing strong reliance on legal rules and procedures. Citizens and leaders alike have been guided not by law but chiefly by broad moral concepts—Confucian norms of proper behavior—that have been only partly superseded by the new Communist morality. Prevailing norms have encouraged unity and harmony and have discouraged the pursuit of personal interests in conflict with the claims of others. The Chinese have favored mediation and compromise over litigation and demands for a winner-take-all victory over one's adversaries. When a citizen is injured or disappointed because a government agent or another citizen has acted or failed to act, the customary and socially approved response has been to overlook small grievances and to seek redress for major loss or injury through community mediation or consultation among Party or government superiors.

The emphasis on compromise and nonlitigious settlement of disputes has enabled China to avoid expensive investment in legal education and in the staffing and operation of courts and other formal law enforcement agencies. At the same time, however, the absence of clear legal guidelines and regular and reliable court procedures has led to confusion about rights and obligations and to a certain popular distrust of Party and state decisions. The economy suffers when factory managers do not take their contractual obligations seriously. The entire political and legal system suffers when local Party and government leaders exercise broad discretionary powers in an arbitrary fashion, sometimes in their own personal interests.

To meet these problems, China's leaders have launched an extensive and long-term campaign of mass legal education to enhance compliance with the law and instill faith in the formal legal process. Citizens have even been encouraged to litigate when their constitutional or contractual rights are violated. To convey a sense of security to China's 800 million peasants, for example, the Chinese media have published numerous articles detailing successful lawsuits brought by peasant households against production teams or brigade leaders who resent the peasants for getting rich through their contracts to till collective soil and to retain all profits after paying the agreed rent to the collective.

Educating the general public to believe in and to rely on law—in reality a complete reversal of a deeply entrenched attitude of disregard and distrust—is certainly an ambitious project. Yet the continuing commitment of the current Chinese leadership to providing a meaningful role for law in China's economic and social life seems to be producing significant results. On a recent trip to China, I happened to notice a hotel desk clerk avidly reading a magazine. When I asked the name of the publication, she showed me the cover. It was *Democracy and Legality*, a monthly magazine published in Shanghai since 1979. I expressed surprise that she should be reading what I had assumed she would regard as a dry, highly academic legal journal. She replied that, on the contrary, she and many of her friends regularly read the magazine and claimed its popularity rested on the fact that it dealt directly with important human problems and the ways these could be resolved fairly.

This encounter and similar reports I have heard lead me to conclude that popular legal education in China is making genuine headway in dissemi-

nating information about law and legal procedures and in spreading the expectation that citizens' rights and interests will receive effective protection from an increasingly comprehensive socialist legal system.

SINO-FOREIGN LEGAL EDUCATION EXCHANGES

A recent and important development in Chinese legal education is the establishment of a substantial program of exchange with law schools and the legal profession in the United States and other countries. Beginning in 1978 and 1979, these exchanges have included the visits of a small number of foreign law students, law professors, and private attorneys to China for research, study, or teaching. Considerably larger numbers of Chinese have gone abroad for legal study, and probably more than half of the total have come to the United States.

During the first two years of Sino-American exchanges in the legal education area, most of the Chinese coming to the United States for legal study were middle-level officials from government ministries or corporations involved in China's burgeoning program of foreign trade and investment. These officials have participated in special nondegree programs in several American law schools aimed at providing a broad understanding of the U.S. legal process as well as a general grasp of important areas of American economic law that directly influence the rapidly expanding economic relations between China and the United States.

Many Chinese trade and investment officials are placed as interns in American corporations and international law firms. This experience exposes Chinese trainees to the respective roles of law firms, banks, corporations, and government agencies in the negotiation and implementation of major international transactions. The American law firms and corporations that serve as hosts for this ongoing program gain insight into the policies and laws now guiding China's economic development and build relationships of mutual trust that are essential if long-term economic cooperation is to be established between two important economies as different as China and the United States.

An increasing number of graduate law students, legal researchers, and law teachers from China have gone abroad for study and research in the past two years. As with the trade personnel, the majority of Chinese law students, researchers, and professors have come to the United States. Most of the younger scholars are junior members of China's leading law faculties and are generally sent to the United States to concentrate on courses they will teach upon their return to China. Although a few young Chinese law teachers and a handful of younger trade personnel have enrolled in three-year J.D. degree programs in the United States, most seek the one-year LL.M. degree. Legal researchers and senior law lecturers and professors from the People's Republic generally spend six months to a year in the United States as visiting scholars. They conduct research, audit courses, visit legal institutions, and develop collegial relationships with their American counterparts.

Chinese law students and visiting scholars have received warm welcomes from a growing number of American law schools. They have received placement assistance and financial aid from a number of sources, including the Committee on Scholarly Communication

with the People's Republic of China, the Fulbright program, individual law schools, United Nations agencies, and a number of foundations, including the Asia Foundation, the Ford Foundation, and the Luce Foundation.

The most ambitious program of legal education exchange between the People's Republic of China and the United States was inaugurated in 1983 with the conclusion of an understanding between the Committee on Legal Education Exchange with China (CLEEC) and the Chinese Ministries of Education and Justice and six leading Chinese law faculties and institutes of political science and law. The understanding establishes a three-year program—with the probability of a two-year extension—that is expected to enable 50 select young Chinese law teachers to earn LL.M. degrees in the United States and bring 50 senior Chinese law professors to the United States as nondegree visiting scholars. In addition, the program will sponsor U.S.-China legal conferences, assist in the development of Chinese law libraries, and arrange for American graduate students and law professors to go to China to study and conduct research on Chinese law or lecture on American law.

Already well under way, with 18 Chinese law students and professors now in the United States under CLEEC's auspices, this key legal exchange program was initiated by a major grant from the Ford Foundation. The program has also been greatly assisted by a substantial grant from the Luce Foundation to fund Chinese law library development, by a grant from the Chinn Ho Foundation to provide law books, and by support from the Asia Foundation. It is hoped that other funding agencies will join in supporting this major exchange program, as well as the separate individual exchanges that also contribute to U.S.-China mutual understanding and cooperation.

LESSONS AND OPPORTUNITIES

This examination of recent developments in Chinese law and legal education reveals that China's leaders and ordinary citizens alike have learned by painful experience about the insecurity, inhumanity, and inefficiency that can result when a large nation has no clear rules or reliable procedures to guide the people and to direct government officials. A major commitment of personnel, money, and Party prestige has been made toward the establishment of an extensive network of published rules and regular procedures. An unprecedented program of legal education has been undertaken with the goal of delivering legal services to every Chinese citizen. The search for effective legislative techniques, lawyering skills, and law-teaching methods has even been carried to that bastion of the free-enterprise system, the United States. The establishment of broad exchange relationships between Chinese and American law schools represents a rich opportunity for both sides to learn from each other and to promote the progressive establishment of laws, treaties, and cultural agreements conducive to peace, prosperity, and justice.

* * *

QUESTIONS AND ANSWERS

Q (Juanita Kidd Stout, National Association of Women Lawyers): In May 1983 I went to China with 32 other jurists. While there we spoke with the minister of justice and with some judges and lawyers in Beijing and four other Chinese cities. From those discussions we learned, first of all, that all lawyers are employees of the state and that there is no independent representation there as we know it in America. We learned also that most of those who are arrested plead guilty and that those who do not plead guilty are usually found guilty, and if they appealed, their convictions were usually affirmed. If the information given to us is correct, does law in China today play a significant role in establishing justice?

A: Law in China has come a long way, but as the Chinese leaders and people say, they still have a long way to go to achieve their goals. One of the goals in the area of criminal law is to increase the regularity and predictability of the system and to guarantee the rights of the accused, including the right of access to lawyers. It is true that all lawyers in legal advisory offices are on the state payroll. The concept of material incentives has not been extended to the area of legal services. The Chinese cite that absence of material incentives with pride. They say this means that poor people receive the same quality of legal service as anyone else. Who is paying does not matter; all that matters is whether those involved are committed to do justice in accordance with the law. The lawyers, the judges, the prosecutors, the accuser, and the accused all have the same aim, which is to protect the society and to achieve justice.

The high rates of pleading or being found guilty that you referred to could be arbitrarily produced. Or it could be that there is greater care in the pretrial process that the prosecution has a good case based on solid evidence before it brings formal criminal charges. The Chinese say that the American system unduly exposes people who are subsequently declared innocent to public condemnation at great expense and that such exposure is inconsiderate and unfair.

Q (Fred Greenwald, Norristown, Pennsylvania): Do you have any information on crime prevention? According to the statistics that I was given during a 1981 trip to China, there were far fewer cases of ordinary crime that reached the criminal courts than would be true, for example, in the United States.

A: The statistics on the amount of crime are subject to many different kinds of interpretation. One reason why there are fewer prosecutions or total convictions per capita in a certain area than there are in the United States is that China has a shortage of courts, so that many matters that in the United States would be handled by the formal criminal process in China are handled outside the courts.

There are three tiers in the criminal justice system in China. The lowest tier is a mass-enforced system: criticism, self-criticism, and criticism of others.

When an individual begins to engage in antisocial behavior, except for homicide or embezzling a million dollars, he or she will first be channeled into this system. There is not a great deal of mobility in China so the lowest tier is quite effective. There is not as much opportunity to steal cars, for example, because there are virtually no private cars and one cannot go too far. There is, however, greater mobility now than there used to be; in fact, there are many more crimes because of the increased mobility. The rising crime rate is a serious problem that the Chinese recognize in their press. The second tier of the criminal justice system is an administrative system consisting of two parts. One is police administered. The second is within all the work places, where they punish their own people through a system of warnings, demotions, fines, and so on. Thus it is primarily recidivists who enter the third tier, the formal criminal process, which is regulated by the statutes that I have discussed.

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China's Industry in Transition: To What?

By ANDREW G. WALDER

ABSTRACT: China's industrial reforms, while bringing major changes in the management of industry, are not particularly innovative compared to reforms in Eastern Europe. While the reforms are moderate ones, China is noteworthy for its persistence along the path of reform despite the emergence of serious problems. The problems are generic ones that have plagued previous piecemeal reforms in Eastern Europe. They are due to an unreformed price structure not designed to send signals to enterprises; to continuing shortages of industrial supplies; and to the soft budget constraint under which enterprises operate. The problems have included an uncontrolled investment drive by enterprises, price inflation of producers' goods and construction materials, shortages of materials for state-sponsored construction projects, a larger budget deficit, and indiscriminate payment of bonuses. There is still no improvement in the main measures of industrial productivity. Despite these difficulties, reform continues in all areas.

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CHINA'S industrial enterprises are managed differently today, compared to only seven years ago. A series of reforms have affected almost every area of management practice, especially the criteria for judging enterprise success, the financing of investment, the business powers of enterprise managers, and the incentives offered workers. The reforms have coincided with truly sweeping changes in the agricultural sector that have been quite successful in raising agricultural productivity. The industrial reforms, however, despite widespread experimentation with new methods, have not been nearly so sweeping; nor have they been nearly as successful in achieving their aims. Reforms, further, have been piecemeal—even fragmented—and no single coherent reform model has yet emerged.

Observers of China have on occasion greatly overstated the magnitude of China's industrial reforms. Some have concluded that the new policy of "using economic levers, not administrative measures," represents a marked departure from "the Soviet model" and even the "dismantling of the command economy."[1] The Chinese themselves have unwittingly contributed to this misunderstanding with their repeated statements that they are moving away from the Soviet model of management. The conception of the reforms, in fact, is a good deal less innovative than these statements indicate.

CHINA'S REFORMS IN PERSPECTIVE

When Chinese economists call for a reform of their Soviet-style management system, they are referring not to current Soviet and East European practices, but to their own 1950s vintage model that has been preserved in mummified form for over 25 years.[2] The changes introduced in China have closely paralleled changes that have been widely discussed and implemented to some degree since the 1950s in the Soviet Union and many of the Eastern European countries in its orbit. All of these countries have to some extent implemented reforms that shift to the use of economic levers, or profit and price mechanisms, in enterprise management. Even in Hungary, the country that has gone the furthest in granting to enterprises autonomy in their business operations, the reforms represent less a dismantling of central planning than a fine-tuning of it.[3] Only Yugoslavia has broken away from the Soviet central-planning mold.

China's industrial reforms exhibit changes of the same types and in the same areas as their counterparts in Eastern Europe. The East European reforms involve changes in four areas: in the organs of economic management above the enterprise, in the autonomy of enterprises in making business decisions, in the instruments of control over enterprise activities, and in the incentives offered managers and workers. In dif-

1. Robert Delfs, "Socialism's New Look," *Far Eastern Economic Review*, 28 May 1982, pp. 58-60.

2. Maoist efforts to depart from the Soviet model succeeded in weakening it without substantially changing it. The result was to intensify, not alleviate, its characteristic problems. See Andrew G. Walder, "Some Ironies of the Maoist Legacy in Industry," in *The Transition to Socialism in China*, ed. M. Selden and V. Lippit (Armonk, NY: M.E. Sharpe, 1982), pp. 215-37.

3. See Paul Hare, "China's System of Industrial Economic Planning," in *The Chinese Economic Reforms*, ed. S. Feuchtwang and A. Hussain (New York: St. Martin's Press, 1983), pp. 185-223; Hare is a specialist on the Hungarian economy who has recently paid a research visit to China.

ferent East European countries the reform programs have emphasized different areas. The more conservative reforms have stressed rearrangement of management organs, while the more liberal ones have stressed enterprise autonomy to a more significant degree. But all the reforms, conservative and liberal alike, have generally involved some changes in all these areas.[4]

In China, as in the Soviet Union, Hungary, and elsewhere, reform has involved a recasting of the lines of institutional control over enterprises. This takes three forms: the redrawing and consolidation of ministry jurisdictions, the delegation of greater control to provinces or regional planning agencies, and the formation of specialized companies or trusts that combine formerly unrelated enterprises into a single corporate planning structure. China's current reforms have involved some redrawing of ministry boundaries, but have concentrated on the formation of specialized companies that integrate the activities of closely related enterprises. This arrangement, as in Eastern Europe, is designed to reap the advantages of specialization, coordination of production operations, and sharing of technical innovation and management skills.

The Chinese reforms have also increased the formal autonomy of enterprises in business decisions. All of the East European economies have attempted to make enterprises more independent financially, responsible for their own profits and losses. In traditional Soviet practice, enterprises were in effect budgetary arms of superior organs: they were rationed supplies, granted capital at no cost, and charged with turning out set quantities of products.[5] In all of these countries, China included, reform has brought stricter accounting practices in the financing of enterprise activities. Increasingly, enterprises are no longer given free investment and working capital in the form of grants. Capital charges and interest are gradually being worked into many enterprises' costs, and capital is increasingly lent by banks rather than granted by planning agencies. The banks are being instructed to scrutinize enterprises for credit worthiness.[6]

Autonomy, further, includes not only increased financial independence, but enterprise ability to make independent production and investment decisions as well. The number of targets given enterprises is typically decreased, enterprises are allowed to retain an increased proportion of their profits in excess of targeted amounts, and they can use these funds, within certain limits, for plant renovation, minor expansion, and welfare and housing for employees. This much is a standard feature of reform proposals.[7]

4. See David Granick, *Enterprise Guidance in Eastern Europe* (Princeton, NJ: Princeton University Press, 1978), and Athar Hussain, "Economic Reforms in Eastern Europe and Their Relevance to China," in *Chinese Economic Reforms*, ed. Feuchtwang and Hussain.

5. See Joseph Berliner, *Factory and Manager in the USSR* (Cambridge, MA: Harvard University Press, 1957), and Janos Kornai, *Overcentralization in Economic Administration: A Critical Analysis Based on Experience in Hungarian Light Industry*, trans. I. Nove, (London: Oxford University Press, 1959).

6. See Gregory Grossman, ed., *Money and Plan: Financial Aspects of East European Economic Reforms* (Berkeley: University of California Press, 1968); and Barry Naughton, "The Profit System," *China Business Review* 10(6):14-18 (Nov.-Dec. 1983).

7. See Gertrude Schroeder, "Recent Developments in Soviet Planning and Incentives," in

China has implemented these measures and has gone somewhat further. Many enterprises now have the ability to market output above their quotas and to procure supplies for this above-quota production independently. There is, therefore, as in some of the East European countries, an increased role for the market in the planned economy. But the role of the market is still distinctly supplementary—and is not really a "market" in many senses of the term, as I will explain shortly. Except for Yugoslavia and some industrial sectors in Hungary, all enterprises in the socialist countries, China included, are still given a variety of binding production targets and are still rationed supplies through a unified system of materials distribution; their labor force and wage bills are still controlled.[8] This enterprise autonomy, in fact, represents less a delegation of business powers to enterprises than simply a change in the criteria by which planning organs manage them.

Reform in China, as throughout Eastern Europe, also includes changes in the instruments of economic control over enterprises. In all of these countries the number of mandatory targets given to enterprises has been reduced, and the output target is deemphasized in assessing enterprise performance. Profit and rates of increase in profit become the index for judging enterprise performance. Planning agencies, further, rely increasingly on indirect controls over enterprise activities: accounting for capital costs as part of the costs of production, manipulation of interest rates on loans for investment funds, allowing enterprises to retain certain percentages of profits over targeted amounts, and the use of various taxes to encourage or penalize certain kinds of management behavior. China is in the midst of implementing all of these measures of control, and in fact has begun to substitute complex taxation schedules for simpler profit-retention systems.[9] This is a typical example of the substitution of indirect methods of central planning for direct ones.

In a final area of reform—work incentives—China again is moving in the same direction as the East European economies. The changes involved are larger in China's case, however, because for the 10 years before 1977 there was virtually no incentive pay in industry for either managers or workers. The Eastern European countries, in contrast, have always employed these wage mechanisms. The mere restoration of bonus pay in China—now some 18 percent of the national wage bill[10]—itself represents a major change. But China has implemented additional innovations now common in other socialist countries. Most notably, enterprises now retain larger portions of their profit to form an incentive fund to be distributed to employees in the form of bonuses. This effort to link employee pay to the overall profitability of the enterprise is reminiscent of earlier reforms in the Soviet Union and elsewhere.[11]

Soviet Economic Prospects for the Seventies, U.S. Congress, Joint Economic Committee (Washington, DC: Government Printing Office, 1973), pp. 11-38; and idem, "The Soviet Economy on a Treadmill of Reforms," in *Soviet Economy in a Time of Change,* U.S. Congress, Joint Economic Committee (Washington, DC: Government Printing Office, 1979), pp. 312-40.

8. Hussain, "Economic Reforms in Eastern Europe," pp. 99-103.

9. Naughton, "The Profit System," pp. 14-15.

10. State Statistical Bureau, *Zhongguo tongji nianjian 1981* (Hong Kong: Jingji Daobao She, 1982), p. 427.

11. See Schroeder, "Recent Developments"; and Leonard Joel Kirsch, *Soviet Wages: Changes in Structure and Administration since 1956* (Cambridge, MA: MIT Press, 1972), pp. 143-57.

China's reform efforts, in sum, represent a marked change in the way industry was managed a decade ago, but they are quite conventional when compared to Eastern European developments. China emerged from the Cultural Revolution with its Soviet-style planning system in disrepair. Since then, the old structure has been shored up, and at the same time it has begun to catch up with changes introduced elsewhere in the socialist world over the past two decades. China, to be sure, has not blindly copied any single country, but has sought to tailor its reform package to meet its own needs. The basic principles of reform, however, are identical to those followed to different degrees and in different combinations in much of Eastern Europe.

THE ORIGINS AND OBJECTIVES OF REFORM

The origins and objectives of China's industrial reforms are similar, but not identical, to those in Eastern Europe 20 years ago. The Soviet Union enjoyed spectacular economic growth rates for decades before the 1960s, largely due to two factors: the concentration of massive state investment in selected industries, especially capital goods, and a large reserve of surplus labor in the countryside and among nonworking women. By the 1960s, however, the industrial base had become more capital intensive and technologically complex. Large capital investments in industry were bringing diminishing returns. The reserves of surplus labor ran dry, making labor supply a major constraint on further industrial growth.[12] Yet another factor impelled Soviet leaders to reform: the commitment to a steady improvement in wages, housing, and the supply of consumer goods, improvements long neglected under Stalin.[13] To maintain high rates of growth without ever-increasing industrial investment, to economize on labor utilization, and to free up capital for investment in consumption and related industries, greater capital and labor efficiency was required.

China's experience, and problems, have been somewhat different. China has had high average industrial growth rates—around 10 percent annually—throughout the history of the People's Republic. Drops in these rates have occurred only in the short run, due to political disruptions of the economy, rather than any long-term trend toward increased capital intensity in industry. Moreover, there is by no means a shortage of cheap labor, or the prospect of one. Because of its still low level of industrial development and massive supplies of surplus labor, China could probably continue to rely on the traditional high-investment strategy to achieve high aggregate growth rates for decades to come.

Why, then, is reform necessary in China? One could certainly argue, and with some justification, that China's main problem for over a decade before 1978 was not the old Soviet-style planning practices themselves, but the fact that they had degenerated so badly under the impact of the Cultural Revo-

12. Arthur W. Wright, "Soviet Economic Planning and Performance," in *The Soviet Union Since Stalin*, ed. S. Cohen, A. Rabinowitch, and R. Sharlet (Bloomington: Indiana University Press, 1980), pp. 113-34.

13. Seweryn Bialer, *Stalin's Successors: Leadership, Stability, and Change in the Soviet Union* (New York: Cambridge University Press, 1980), pp. 148-58.

lution. In other words, the system was not operating at its own potential. This appears to have been the thinking behind Hua Guofeng's short-lived economic policies of 1977-78.[14]

Data on China's economic performance over the past 20 years, however, show that the problems were much too serious for a simple, administrative refurbishing. Virtually all financial measures of productivity showed serious declines in the two decades after 1957. Value added per unit of capital declined by almost 40 percent in state-owned industry. Labor productivity—value added per worker—which more than doubled in the first 15 years of the People's Republic, actually declined by 5 percent in the decade after 1965. Total factor productivity, which increased by 48 percent from 1952 to 1965, fell by 11 percent in the decade that followed.[15] China continued to have high growth rates throughout the period, but only because it continued to pour massive amounts of capital into state industry. China's problem, in other words, was not a slow decline of growth rates and an emerging labor shortage; the problem was massive industrial waste in a still-poor country.

Greater efficiency in industry was more urgently needed in China than in Eastern Europe, for a number of reasons. Transportation networks and energy production both needed heavy outlays of new investment to prevent them from acting as bottlenecks to further economic growth. Unemployment was becoming a serious problem in urban areas, with the return to cities of rusticated youth and the growing size of age groups entering the labor force. More investment was needed in job-creating light industry. Real wages and per capita housing space both had fallen by 20 percent since the mid-1950s, and the government was committed to raising these long-neglected living standards.[16] To help raise living standards, and to make sure that workers would have something to buy with their higher wages, consumer goods production had to occupy a greater proportion of investment. China therefore turned, under quite different conditions, but with much greater urgency, to the broad path of reform taken earlier in Eastern Europe.

THE GENERIC PROBLEMS OF REFORM

The types of industrial reform carried out in China, we have already seen, share the generic features of reform efforts elsewhere in the socialist world. They have also shared the generic problems—ones that have often caused retreat from reform elsewhere. Rather than provide a detailed chronicle of the halting progress of reform—something that is at any rate available elsewhere[17]—

14. Andrew G. Walder, "The Post-Mao Industrial Reforms: Economic Administration and Enterprise Management," in *Development and Change in China*, ed. E.K.Y. Chen and S.S.K. Chin (Hong Kong: University of Hong Kong, Centre of Asian Studies, 1981), pp. 71-90.

15. Thomas G. Rawski, "Productivity, Incentive, and Reform in China's Industrial Sector" (Paper delivered at the Thirty-sixth Annual Meeting of the Association for Asian Studies, Washington, DC, 23-25 Mar. 1984), tabs. 1 and 2.

16. See Andrew G. Walder, "The Remaking of the Chinese Working Class, 1949-1981," *Modern China*, 10:3-48 (Jan. 1984).

17. See Naughton, "The Profit System"; idem, "The Decline of Central Control over Investment in Post-Mao China," in *Policy Implementation in Post-Mao China*, ed. D. M. Lampton (n.p., forthcoming); Andrew G. Walder, "Wage Reform and the Web of Factory Interests," in ibid.; and Susan L. Shirk, "Recent Chinese Labour Policies and the Transformation of Industrial Organisation in China," *China Quarterly*, 88:575-93 (Dec. 1981).

I shall treat these problems analytically, specifying some of the key defects that plague reform everywhere, and follow them with examples of the ways that each has become manifest in China.

The structure of state-set prices for industrial products and supplies is the biggest reform problem. It is widely recognized in China that the traditional pricing structure of the Soviet system sends the wrong signals to enterprise managers. Inputs for capital-goods industries have traditionally been set quite low, thus making fuel and raw materials cheap and encouraging waste. At the same time energy and raw-material industries have high costs relative to the prices for their products, and find it difficult to make a profit—and frequently operate at a planned loss. The price system, therefore, not only rigs profit earnings in favor of some and to the detriment of others, thus preventing profit from reflecting actual efficiency; it also fails to encourage efficiency in the most wasteful enterprises while failing to stimulate those whose products are in perennially short supply. In addition, so long as prices are administered, they respond slowly to changing conditions and only if and when price planners recognize the changes.

The shift to profit and other financial criteria therefore has the immediate effect simply of shifting all of the traditional management problems onto the management of prices. Since price schedules were not created for a system in which autonomous enterprises respond to price signals, a major overhaul of these irrational prices is necessary if new kinds of imbalances, and more serious ones at that, are not to occur. This is an enormous task, not only because of the sheer administrative complexity of adjusting countless prices while maintain-

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18. Janos Kornai, *Econ*
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of Hungary, prices are still centrally set for all major industrial commodities in Eastern Europe. China has so far followed this pattern, allowing price negotiations for goods produced and sold after planned targets are met, but enforcing the state prices for goods produced under plan.

China, in other words, has had to face up squarely to the task of reforming its centrally administered prices, which still filter the vast majority of transactions in industry. To the great detriment of its reforms, this process has not yet begun in earnest. Price reform began with great publicity and discussion in 1978, but was subsequently halted. Initially it was to precede—as it should have—the delegation of enterprise autonomy and profit sharing, but it did not. And since that time, not much has been accomplished in this area, except for the attachment of prices to working and fixed capital, which formerly was free, the levying of financial penalties against fuel-wasting plants and those with large outstanding loans, and a reform of prices in the textile industry.[19] Current plans call for comprehensive wage and price reform in several stages, but beginning no sooner than 1985.[20]

A second generic problem of industrial reform, related to the problem of prices but independent of it, is that the so-called markets onto which nominally autonomous enterprises are being gradually thrown are not really markets. They are bounded by a number of institutional arrangements and economic conditions that distort their operation. There is still a general scarcity of commodities, and industrial materials are still rationed to enterprises within the plan. Since goods are scarce in this producers' market, it is easy to unload products. Competition is much higher among consumers—including enterprises that are trying to procure supplies—than among producers.[21]

Because the procurement of supplies is still the biggest constraint facing managers, and because capital, while no longer free, is still very cheap, the building of additional plant capacity to supply one's own needs is still a rational strategy. Enterprise demand for fixed capital under these conditions is, as Alec Nove pointed out years ago, "theoretically unlimited."[22] While the greater use of markets allows in theory for a better balance of supply and demand, greater enterprise autonomy in this kind of market tends to create new forms of imbalance and disequilibrium. In this case, Nove argues, piecemeal reform will naturally set off an "investment drive" among enterprises.

CHINA'S REFORM PROBLEMS

Such imbalances have occurred in China, and because the post-1978 leadership has implemented enterprise autonomy quite rapidly, in a piecemeal fashion, and before reforming prices, these imbalances and other unintended consequences have occurred in a big way. These problems have not only prevented the desired improvements in capital and labor productivity; they have created other economic problems

19. Rawski, "Productivity, Incentive, and Reform," pp. 10-11.

20. Naughton, "The Profit System," p. 16.

21. Hussain, "Economic Reforms in Eastern Europe," pp. 103-11.

22. Alec Nove, "Planner's Preferences, Priorities, and Reforms," in *Political Economy and Soviet Socialism*, Alec Nove (London: Allen & Unwin, 1979), pp. 100-111.

as well. Four of the most important problems will be mentioned here.

The first of these is uncontrolled investment spending in industry—the opposite of the stated intention of the reforms. Enterprises, precisely as Alec Nove predicted, have immediately used their increased autonomy to reinvest in expanding and refurbishing plant capacity, and in adding to their housing stock as well. This runaway spending has proven extremely difficult to control. In 1980 this extrabudgetary capital construction was scheduled to be reduced by half; instead it increased by more than half. The next year it was again scheduled to be reduced by half; it in fact declined by only 14 percent, and the decrease was offset by increases in other areas of nonbudgetary funds. The problem has continued through 1983.

This uncontrolled capital spending was a major factor in the sharp increase in the national budget deficit in 1980-81, and it has made the reduction of the deficit since then more difficult. Just as important, this overinvestment has sabotaged the central government's efforts to redirect investment into the crucial energy and transportation sectors. The center has sought to bring the deficit under control by reducing its own budgetary investments in industry, and this has had the effect of reducing investment in precisely those sectors where it needs to be concentrated.[23]

A second problem is closely related to the first: inflation in the costs of construction materials. With this increased extrabudgetary investment, competition for scarce cement, steel, glass, and other products has led to escalating construction costs. The costs of construction have gone up 9 percent since 1978. This serves to aggravate the budget deficit, because enterprises are buying supplies for construction at higher prices, which increases the costs to the central budget and lowers the profit remitted. Largely because of this, the total losses of industrial enterprises have remained constant at ¥4 billion per year since 1978. Where in 1978 half these losses were in inefficient small steel and fertilizer plants that have since been closed, today the losses are in formerly profitable enterprises hit by rising costs.

A third problem is the diversion of construction materials from key projects designated by the central government. Because above-quota production can be marketed independently, and because these prices are higher than state-set ones, enterprises are diverting large quantities of producers' goods onto what Naughton aptly calls "quasi-markets" that are beyond the control of central planners. Since mid-1983, the central government has taken a series of measures to restrict this diversion of materials outside the plan. Diversion not only increases costs and cuts state income, but the shortages of materials for state construction projects prevents the completion of planned projects: only 47 of 80 large construction projects to be completed in 1982 were actually finished.[24]

A fourth problem is not closely related to the first three, but it has the same causes: uncontrolled spending on incentive pay that is distributed with little regard to performance. Because of the incoherent incentives embodied in enterprise autonomy under current conditions, managers have just as much incentive to hoard bonus funds as capi-

23. Naughton, "Decline of Central Control," is the source for the preceding two paragraphs.

24. Naughton, "The Profit System," p. 16, is the source for the preceding two paragraphs.

tal investment and materials; and they have weak incentives to tie their payment closely to worker performance. Because profit often reflects the price structure rather than actual efficiency, retained bonus funds poorly reflect enterprise performance. For these reasons, all of the highly publicized changes in incentive practices—the restoration of bonuses, the marked rise in wage levels, and the creation of bonus funds linked to profit—have had little apparent effect on labor productivity. Instead there has been what one Chinese economist has called a "hemorrhaging of state funds into the pockets of workers." This lack of success has led to plans to restructure completely a wage and incentive system that the head of the state labor bureau, in apparent despair, has recently called "rotten to the core."[25]

THE BOTTOM LINE

In stressing the very real problems facing industrial reform in China, I do not intend to leave the impression that it has not had its successes. China has been able to redirect investment into consumer-goods production, and the supply of virtually all major consumer commodities has greatly increased since 1977. As much new housing has been built in the past six years as in the entire history of the People's Republic. The real wages of state employees in the past six years have increased 20 percent. The opening of trade and credit links with foreign countries has brought the economy badly needed capital and foreign exchange. And whatever the fiscal problems in industry, growth has continued at its historically high rates.

But the bottom line for assessing industrial reform is whether or not it is actually improving capital productivity, thereby releasing funds for investment in neglected key sectors and for continued improvements in the standard of living. By this criterion, reform has not yet had any visible effect. Total factor productivity, according to Rawski's recent calculations, has shown no significant improvement since 1977 and remains well below the levels of the mid-1950s. Despite the fact that profit sharing is intended to focus the efforts of managers on improving financial performance, there has been no significant improvement in profit per *yuan* of output, in profits and tax receipts per unit of total capital, or in output per *yuan* of working capital.[26] High growth rates continue, but only because more labor and capital are poured into production, as was the case before reform.

Whatever progress there has been in industry, therefore, has not been due to enterprise reforms. Such redirecting of investment resources as has occurred, Naughton has shown, has not been due to the utilization of price mechanisms, but to the development of direct mechanisms—like bank loans—to redistribute funds where central planners want them.[27] If funds for increases in urban living standards, furthermore, are not coming from increased enterprise efficiency, they must be paid for by direct state budgetary subsidies. These subsidies, as a result, have ballooned since 1978, growing from the equivalent of some 80 percent of the wage bill for state employees to over 100 percent currently. The subsidies now comprise a stag-

25. Andrew G. Walder, "Rice Bowl Reforms," *China Business Review* 10(6):18-21 (Nov.-Dec. 1983); and idem, "Wage Reform."

26. Rawski, "Productivity, Incentive, and Reform," tabs. 2 and 4.

27. Naughton, "Decline of Central Control."

gering 20 percent of China's national income and will continue to increase under current conditions.[28] For the improvement in living standards of the past six years to continue, the industrial reforms must begin to improve the cost efficiency of enterprise operations. The alternative is to raise prices for urban consumer goods, something that has created considerable dissatisfaction among East European citizens.

CONCLUSION: WHITHER CHINA'S INDUSTRY?

The flood of reform proposals and experiments in Chinese industry over the past six years has sometimes given observers the impression that the reforms are far more sweeping in nature than they really are. We have seen that China's reform efforts in industry follow the logic of reform in Eastern Europe and in fact are so far a good deal less radical than reforms in Hungarian industry. Given the imbalances that have already emerged from relatively limited price decontrol and enterprise autonomy, it would make very little sense for China to move further in the Hungarian direction, eliminating compulsory targets and state prices in selected key industries and product lines. The task of coordinating China's immense industrial economy is infinitely more complex than that of province-sized Hungary, where a few large enterprises dominate most key industrial sectors.

China is still noteworthy, however, for the evident vitality of its reforming impulse. Despite the setbacks and problems of recent years, China's leaders show no apparent signs of abandoning reform. In many Eastern European countries, the USSR most notably, the first signs of a loss of central control of the economy—of the kind China has experienced in a big way—has led to a rapid rollback of reforms and a retreat into administrative tinkering. The response of China's leaders to their setbacks has so far been to consolidate for a brief period and then push forward with modified reform practices on all fronts.

It is precisely this activist reformism that makes it difficult to predict the eventual contours of China's industrial economy. Reform and experimentation continue in all of the areas enumerated at the outset of this article: in the organs of economic management, in enterprise autonomy, in the instruments of control over enterprises, and in work incentives. Given the problems that reform has engendered, I would expect China's mix of reform features to stress increasingly effective centralized fiscal controls—both direct and indirect—over enterprises and an effort to reshape enterprise autonomy in the state's favor. The weakness of central control is a major legacy of the Cultural Revolution that still needs to be addressed, and it is evidently responsible for exacerbating many of the problems experienced so far. Especially if these changes are accompanied by the continued formation of trusts and specialized companies, China's package of reforms in industry will look much more like the Soviet model of reform than the Hungarian.

While China may begin to travel with greater determination down a road to industrial reform that the Soviet Union has traveled very hesitantly, its more radical innovations, which lie outside the sphere of industrial management, include things that the USSR would

28. Nicholas R. Lardy, "Subsidies," *China Business Review*, 10(6):21-24 (Nov.-Dec. 1983).

likely never permit. The dismantling of collective agriculture in favor of semi-private, household production, the legalization of petty trade, the establishment of special economic zones for direct foreign investment, and the resurgence of a private, individual services and handicraft sector in cities are all quite radical by Soviet standards, and taken together they are quite liberal by the standards of Eastern Europe—except Yugoslavia—as well. China appears to be heading, without a fully articulated overall conception, toward moderate reform in industry, set in an economy that shares many of the features of the Soviet Union's during its New Economic Policy of the 1920s.[29] At present, this direction appears to constitute, despite the conventional nature of the industrial reforms, the distinctive Chinese-style modernization that national leaders have been promising since 1978.

29. Alec Nove likened the emerging Chinese economic system to the Soviet New Economic Policy in his talk, "China's Economic Reforms in Soviet Perspective" (East Asian Institute, Columbia University, 19 Apr. 1984).

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The New Course in Chinese Agriculture

By VIVIENNE SHUE

ABSTRACT: China's current reform program in agriculture is enormously ambitious in intent and highly significant for all aspects of future economic and political development. It represents a rejection of past policies of large-scale labor mobilization and communal self-reliance in favor of commercialization and individual incentives for peasants. Diversification of the rural economy, decentralization of farm management, production specialization, crop selection in accord with comparative advantage, expansion of free markets, release of labor from the land, and a shift toward household-based, rather than collective, cultivation have all been important elements of the new line. The resultant explosion of pent-up rural entrepreneurship, fueled also by marked state procurement price rises, produced dramatically positive effects on overall productivity, peasant incomes, and standards of living. These led to widespread introduction of even more radical reforms. The recent agricultural boom will be difficult to sustain, however, without worsening China's already serious budget and finance crisis. Today's leadership coalition also faces intrabureaucratic opposition from cadres at all levels who are threatened by the reorganizations, and widespread popular unease about new patterns of social inequality that may accompany greater reliance on market relations. Decentralized management, a wider role for the market, and the vigor of new commercial combines also appear to be hampering the ability of central planners to regulate the economy. Such factors are capable of producing their own political backlash. The new course is, therefore, still a risky gamble in search of a workable balance between plan and market, growth and equality, national priorities and local demands.

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ONCE again China's leaders are taking a tremendous gamble on a boldly iconoclastic program of sweeping reforms in agriculture. Time and again since 1949, disappointment with lagging agricultural performance has provided the impetus for staggering economic reform efforts and spellbinding social experiments in China's countryside. Land to the tiller, collectivization, the formation of people's communes, and nationwide emulation of the Dazhai (Tachai) model were each inspired by the hope of transcending China's inherited patterns of low-technology production, inefficient labor utilization, and crop yields as undependable as the weather. These earlier reform programs often became entangled in elite power struggles and policy disputes, sometimes with profoundly disrupting consequences for the Chinese people. So, many peasants and rural cadres, understandably cautious, may now wince as new rounds of radical structural reorganizations are announced and promoted by today's leaders in Beijing.

Yet those earlier dramatic agricultural reform campaigns were by no means all for nought. Over the past 30 years, Chinese agriculture has performed the not-so-small miracle of keeping pace with skyrocketing population increases. This is a record that must be the envy of many Third World countries where the agonizing malnutrition, hunger, and deprivation so visible in the cities is exceeded only by the hidden misery of those who still try to live on the land. Nevertheless, the breakthrough pursued by China's planners time and again has eluded them. Under socialism, Chinese agriculture has developed enough to support twice the population of 1949. But it has not yet yielded the surpluses needed for a take-off to rapid and sustained industrialization.

Thus the Deng Xiaoping coalition of the 1980s, promising the people modernization and a better life for their children, had to come to grips with China's twentieth-century developmental bottleneck, agriculture. These veterans of the Cultural Revolution quickly concluded that tinkering with modifications of the Maoist structural legacy in the countryside would not do the trick. So, once again Beijing is caught up in the effort to chart a whole new course for rural development.

CRITIQUE OF LEFTISM

Much of what is happening in the countryside today is best understood as an explicit rejection of, and a search for alternatives to, the goals and methods of the immediate past.

In Mao's final years, today's reformers insist, rural policy planning and implementation were far too rigid and restrictive. Even the most natural and innocent profit-making activities were liable to be branded as capitalist and reactionary. The hardest working and most dedicated peasants had no more to show for their efforts at harvest time than the least skilled and laziest workers, because virtually all differential incentive schemes were sacrificed to the pursuit of universal social welfare and egalitarianism in income distribution. Even in China's most fertile and productive areas, farmers and cadres were hamstrung by central policies that demanded single-minded attention to grain production and neglect of cash crops, fishery, forestry, animal husbandry, and handicrafts. Yet, since state grain procurement prices were deliberately kept low, even peasants in well-endowed areas could

never become prosperous. And those who lived where farming conditions were more hardscrabble were denied the income-earning sidelines that made it possible to get by and eat meat more than a half-dozen times a year.

China's current leaders, intent on demonstrating the bankruptcy of past policies, support these arguments with statistics showing that from 1955 to 1977 average per capita peasant income increased by only 1 percent a year while gross value of agricultural production was growing by approximately 4 percent.[1] And if such figures for the average are accurate, there must have been many areas where real peasant incomes were actually stagnant and declining.

As for China's distinctive commune-brigade-team structure of rural administration and production organization, the contemporary critique is just as harsh. Communes are blamed for being at once too big and too small. They were too big because of their tendency always to organize peasant labor in large groups to work on large fields or construction projects. This was done in the simplistic belief that "if it's bigger, it must be more socialist." Furthermore, in communes peasants and rural cadres were under constant pressure to raise the unit of account, that is, to increase the number of hamlets and villages that pooled their labor and thus shared together in a harvest. Raising the unit of account was a way of smoothing out inequities among the better-off and worse-off hamlets in an area. But like the deployment of large labor groups, it was prone to free-rider problems that undermined incentives for better laborers or better-off hamlets to participate wholeheartedly.

Communes were too small and confining, however, because they practiced a brand of self-reliance not only in agricultural production for local subsistence, but also in the development of their own small, labor-intensive, low-technology factories that turned out producers' goods like farm tools, cement, and fertilizer for local use. Pursuing self-reliance, communes were apt to hoard resources to set up what were in fact redundant workshops and enterprises to serve tiny local markets with low quality products. Instead, they should have forged the sensible horizontal subcontracting and commercial linkages with other communes and counties that would have allowed them to reap the simple benefits of specialization and comparative advantage. As cell-like units of territorial administration whose cadres only gazed upward for signals from superiors and who never looked sideways for opportunities to deal with their neighbors, communes actually stood in the way of the development of natural rural markets and modern enterprises to serve peasant needs. So the argument goes.

Such criticisms are, to be sure, one sided and overdrawn. My present purpose, however, is not to weigh the truth, but merely to outline the current indictment of past policies. Armed with this general understanding of the chief causes of continuing agricultural stagnation, the Deng Xiaoping coalition set

1. Robert F. Dernberger, "The Chinese Search for the Path of Self-Sustained Growth in the 1980's: An Assessment," in *China under the Four Modernizations: Selected Papers Submitted to the Joint Economic Committee, Congress of the United States* (Washington, DC: Government Printing Office, 1982), pt. 1, pp. 42, 48-49; see also, "The Rise in Peasant Livelihood," *Zhongguo nongmin bao*, 29 Sept. 1983.

out to do two things: to give peasants tangible incentives to produce and to give them markets in which to trade.

MAJOR REFORMS

Beginning in 1978, a series of propaganda campaigns and reforms unfolded and began taking effect in the countryside. First, there was a new emphasis on diversification in the rural economy. Staple grain production was to remain the highest priority, but peasants and rural cadres were urged to pay more attention to vegetable and cash-crop cultivation, to fish ponds and other aquatic products, to fruit orchards and forestry, to pig and poultry raising, and to other income-earning sidelines. Time and resources devoted to such subsidiary production were no longer portrayed as petty capitalist deviations, but as the kind of healthy socialist entrepreneurship necessary to generate more capital for investment in agriculture, to serve legitimate consumer demands, and to raise the standard of living in the countryside. The peasant family's right to cultivate a private plot and to use it however they wished, free to choose how to dispose of its product, was reaffirmed. Preparations were made for the reinstatement and expansion of rural fairs or free markets where peasants could sell their privately produced eggs, fruits, garlic and onions, tobacco, chili peppers, and so on at prices still regulated but higher than official state procurement prices.

The always didactic Chinese press had many an investigative field day after 1978, reporting on communes, brigades, or teams that had a comparative advantage in, say, cotton, sugarcane, or fruit and that, due to what was called the ultra-left extremist obsession with grain in the early 1970s, ripped out their valuable plants and sowed rice or wheat instead, only to reap inferior grain yields and a harvest of peasant bitterness and alienation. The outraged public posturings and the ventilation of official anger over such incidents drove home the point to cadres in rural areas with a comparative advantage in cash-crop production that they should return without fear to their specialty cultivation. Communes specializing in such products and selling their quotas to the state were no longer to encounter interference or penalties from state supply officials when they in turn sought to purchase grain for their own consumption.

A simultaneous campaign stressing the importance of production-team autonomy highlighted central determination to keep those commune and county cadres, who were heavily implicated in past leftist errors, out of day-to-day production management affairs. The lowest-level production-team leaders were to be given more leeway in determining just how best to allocate land, labor, and other inputs to meet their quotas and start new undertakings. Central leaders were betting that, in the liberalizing atmosphere, shrewd peasant team leaders all over China would find ways to overfulfill state-set quotas while still conserving resources for investment in new diversified or specialized production ventures to boost team income.

To back up these atmospheric changes, a series of substantial, phased commodity procurement price rises was put into effect throughout the country. In 1979 prices for 18 categories of agricultural products were raised. Further upward adjustments came in 1980, especially for cash crops. Increases ranged from 20 to

50 percent for different commodities, so the actual impact on incomes certainly varied greatly by area. Economists estimate the combined effect to have been a 25-to-35 percent improvement in prices paid to farmers, however, generating an immediate windfall in incomes distributed through the collective to peasants.[2] This long overdue series of price adjustments raised spirits in the countryside and gave impetus to the rest of the rural reform program.

Next, national attention was shifted to the successes claimed for a variety of new peasant remuneration systems being experimentally implemented in selected units around the country. Grouped together under the umbrella term "the responsibility system," these schemes ranged from the adoption of simple task rates for work done within the collective and over-quota bonus payments for certain jobs to across-the-board division of team land to be contracted out to individual households for cultivation.[3] What all variations of the responsibility system shared was the goal of tying individual income more directly to individual effort and skill.

In the old, more collectivist arrangement, every peasant worked on collective land for work points. At harvest time, the team's net income was divided by the total of all work points earned by all members, to derive a real value per work point. Then each household received a basic grain ration plus compensation—mostly in kind—according to the number of work points earned by all household members. In this manner, people were paid according to their work, and if their earnings were insufficient to support them, they could borrow—overdraw work-point values—from the collective. Work points were not, therefore, a fixed wage; they represented an entitlement to a certain share of the collective harvest.

Thus the compensated real value of an individual's work depended heavily on the success of the collective as a whole, which in turn depended heavily on the labor of others. And this was what the post-Mao leadership found wrong with the older arrangement; it encouraged malingering, it discouraged initiative and hard work, and it contributed to unacceptable levels of disguised underemployment in agriculture. Systems that would allow the individual more direct responsibility for actual income earned through work performed were first advocated as a supplement; later, they were quickly allowed to replace the old collective harvest-sharing model that had been one of the hallmarks of Chinese socialism.

First promoted for use in poor, backward, and mountainous areas where collective agriculture was admittedly faltering, the responsibility system, in a bewildering variety of forms, now has swept the whole country. In some areas it was embraced ahead of schedule by eager peasants who threw official timetables to the wind, and in other areas it

2. Dernberger, "The Chinese Search," p. 45; Nicholas R. Lardy, *Agricultural Prices in China*, World Bank Staff Working Paper no. 606 (Washington, DC: International Bank for Reconstruction and Development, 1983), p. 8; Frederic M. Surls and Francis C. Tuan, "China's Agriculture in the Eighties," in *China under the Four Modernizations*, pt. 1, pp. 428-29; and Dai Yuanchen, "Different Prices for Farm Products," *Beijing Review*, 22 Aug. 1983, pp. 21-24.

3. On the variety of types of responsibility systems see Tang Tsou, Marc Blecher, and Mitch Meisner, "The Responsibility System in Agriculture: Its Implementation in Xiyang and Dazhai," *Modern China* 8(1) (Jan. 1982); and David Zweig, "Opposition to Change in Rural China: The System of Responsibility and People's Communes," *Asian Survey* 23(7) (July 1983).

was virtually forced on reluctant communities by cadres responding to signals from above.[4]

By the end of May 1983, some form of responsibility system was reportedly in use in 98.3 percent of all rural production teams in China.[5] Two forms of contracting with households now seem to be most popular. One resembles a sharecropping agreement, with the team in the role of landlord. The land, owned by the team, is divided out to households who agree to farm it and turn over a certain quota of certain crops to the team. They are paid in work points for their quota deliveries, but may keep or sell on the free market anything they produce over quota. The team meets its collective tax and sales obligations to the state, deducts some more for community welfare expenditures and investment, and distributes the remainder among the households. As part of the initial contract, the team promises to supply, at agreed prices, fertilizer and other needed inputs to the farming households. This system retains a certain role for the collective in production planning and management and maintains something of the collective harvest-sharing principle.

The second type of household contract system is a more radical departure, resembling a rental arrangement, but virtually eliminating the role of the team or collective. Land, tools, and other means of production are distributed to households that agree to make fixed payments of taxes and fixed deliveries of commodities for sale directly to the state. Households may also be required to make fixed contributions toward community health and welfare facilities or toward the maintenance of collectively operated irrigation works, for example, but these contributions are sometimes waived. In this system there are no work points or collective harvest to distribute. Households keep for their own use all that remains after they meet their contractual obligations. If the harvest fails, they are responsible for their own losses.

With the direct incentives for hard work and carefully planned resource use entailed in these contract systems, the expectation is that peasant households will practice highly tailored and refined divisions of family labor. In large families, labor-intensive, garden-style cultivation may be practiced on the small grain and vegetable plots, while still freeing up time for some family members to work on livestock, special cash crops, handicrafts, sideline food processing, and retail marketing. Tens of millions of Chinese peasants, now freed from the necessity of earning work points by putting in time on collective lands, are taking up new part-time and full-time occupations in specialized production, market brokering, subcontracting, transport, and other services. Virtually tied to the land in the past, they now move freely between village and town, pursuing their special trades and nailing down business deals with state trading agencies, with collective units, and with other self-employed peasant households.

New rural prosperity

The effects of these reforms on agricultural productivity and rural living standards have been more rapid and

4. See William H. Hinton, "A Trip to Fengyang County: Investigating China's New Family Contract System," *Monthly Review* 35(6) (Nov. 1983), esp. p. 2.

5. Wang Dacheng, "Take the Road to Common Prosperity," *Beijing Review* 26 Sept. 1983, p. 4.

more dramatic than anticipated. With some exceptions, Chinese weather conditions have not been bad in the last few years, and output of major crops has increased across the board. Although total area sown to grain has actually declined in favor of other crops, grain production is moderately higher. Sidelines and cash-crop production have improved far more decisively: cotton increased 66 percent between 1978 and 1982; edible oils, 126 percent; and pork, beef, and mutton, 58 percent.[6] In terms of share of gross value of agricultural output over those years, animal husbandry rose from 13.2 percent to 15.5 percent, cash crops went from 14.6 to 16 percent, and forestry and fishery shares also climbed, while the value of output share of staple grain crops fell from about 68 to 63 percent.[7]

Average per capita peasant incomes rose from ¥134 to ¥270, while per capita rural consumption indicators for grain, cooking oil, meat, and synthetic fabrics and purchases of bicycles, wristwatches, sewing machines, radios, and other consumer goods registered sharp improvements. Peasants' personal savings deposits were markedly up over the period. Farm families, sensing improved prospects for the coming years, have been putting their savings into new housing at such a rate that protected forests are now endangered by the pressing demand for lumber, and bitter disputes over the availability of land for new house sites have sprung up all across the country.[8] Construction projects everywhere one looks and rural roads clogged with farmers, their animals, and all manner of vehicles getting goods to market are often the dominant visual impressions of foreign travelers returning from China today.

Some rural households with ample labor power and other resources and with access to good commercial and marketing opportunities are pulling well ahead of the average for recent years. In 1978 only 2.4 percent of rural households enjoyed per capita incomes over ¥300, but recent reports indicate that over one-third of all households now fall into that income range.[9] Such fortunate households are also now able to make private purchases of trucks and major pieces of farm equipment that will further improve their capacity for self-enrichment.[10] Examples of entrepreneurial peasant households that have taken advantage of the reforms to make dramatic improvements in personal income are featured continually in the Chinese press to encourage those still not persuaded that being the first to get rich will actually be regarded as socially acceptable and even a glorious contribution to socialist modernization.[11]

Agriculture has performed far better under the first wave of reforms than has industry, where, because of more complex institutional arrangements, the

6. "Output of Major Agricultural Products," *Zhongguo nongmin bao*, 29 Sept. 1983.

7. "Rates of Increase and Shares of Gross Value of Agricultural Output," *Zhongguo nongmin bao*, 29 Sept. 1983.

8. See, for example, "Properly Manage the Use of Land in Villages and Townships to Build Houses," *Renmin ribao*, 19 Apr. 1982; Sun Xupei, "The Widespread Practice of Construction of Residences in Funan," *Renmin ribao*, 2 July 1982; and "Rectification of the Party's Workstyle Will Lead to Success in Improving Civilian Lifestyle," *Fujian ribao*, 14 Jan. 1982, trans. in *China Report*, JPRS 80380, 23 Mar. 1982, pp. 53-54.

9. Wang, "Take the Road."

10. "Peasants Buy Trucks," *Beijing Review* 4 Apr. 1983, p. 7.

11. On continuing peasant uncertainties, see "Change in Peasants' Mentality," *Beijing Review* 10 Jan. 1983, pp. 6-7.

impact of similar reform programs has been dulled. Therefore, the leadership's initial projections of higher state budget allocations for investment in agriculture have not had to be met. Individual peasant households and collectives have been investing and raising output so successfully while also using farm inputs so much more efficiently that state finance authorities have been able to realize some savings by holding state allocations to agricultural investment to about half the intended levels.

Such quick successes have led, in turn, to new waves of reform proposals and even more radical departures in rural economic organization and management. The people's commune itself, long heralded as the proudest of the new socialist creations of the Chinese people, is now targeted for virtual disestablishment nationwide by the end of 1984.[12] The old commune was consciously designed to fuse governmental/administrative functions and authority with economic decision-making authority over existing structures of residence and social intercourse, so as to create one comprehensive rural unit.

The decommunization reform under way at present calls for the effective separation of governmental and economic decision-making authority. While the term "commune" may be retained, newly established township governments are going to be handling civil administration while economic activity will be reorganized into a host of new private, collective, and state-run companies, corporations, and combines that will carry on business relations with one another through contracts, not through the old hierarchical command relationships associated with a planned economy.[13]

The intent here is to loosen the grip of unpredictable politics and unimaginative bureaucracy on rural economic organization so as to allow for the expansion of commerce more in accord with the particular natural contours of the local human and economic environment. The new flow of business is expected to cut across old administrative boundaries to establish mutually beneficial linkages and to realize economies, efficiencies, and demonstration effects that habitually eluded the previously more fully planned and locally self-reliant system.

Great numbers of such companies, corporations, and combines have already mushroomed into existence all over China. Some of them sell shares and pay dividends to collectives and even to individuals. Some are vertically integrated enterprises coordinating all elements of production, processing, and marketing of a single product such as dried fruit or frozen chickens. Some are horizontally integrated, coordinating all the agricultural, industrial, and commerical activity of a single township or county. Some consist of only a few households or individuals pooling resources and selling goods to wholesalers or selling services to other companies or individual consumers. Some deal over long distances and trade directly with both state and cooperative agencies, and even with foreign corporations. All of them are supposed to handle their

12. See "Complete the Work of Establishing Township Governments by the End of Next Year," *Renmin ribao,* 23 Nov. 1983; and "With Measured Pace and Leadership Press the Reform Separating Government and Collective in the Countryside," *Renmin ribao*, 7 Nov. 1983.

13. For more detail on the coming decommunization, see Vivienne Shue, "The Fate of the Commune," *Modern China* 10(3):259-83 (July 1984).

business through voluntarily negotiated contractual agreements. And it is in this that they differ from the state-run commercial organs of the past that worked to meet state-set quotas with inputs allocated mainly through the state supply system.

An associated development is the emergence in the countryside of what are called specialized households.[14] These are farm households whose members stop laboring on the collective's land entirely and devote all their efforts to some form of specialized production or service such as mink raising or machine repair. While many such households go it alone, others in similar lines of work tend to form themselves into small companies that undertake to guarantee quality and supply and can better command contracts from major purchasers. Some of them even hire laborers for wages to supplement the family's work. These specialized households now stand at 13 percent of all rural households in the country,[15] and they represent a new mechanism for freeing surplus rural laborers from the land and integrating them into the urban-based economy through commerce.

14. Specialized households are very prominent in Chinese reports now; for just a few interesting discussions see Jin Qi, " 'Specialized' Peasant Households," *Beijing Review* 6 Sept. 1982, p. 3; Kang Jiusheng, "Functions and Tendencies in the Development of Specialized and Keypoint Households in the Rural Economy," *Zhongguo jingji wenti*, 20 May 1983, pp. 58-61; "A New Thing That Merits Great Attention...," *Shanxi ribao*, 21 Aug. 1982, reprinted in *China Report*, JPRS 81834, 28 Sept. 1982, pp. 87-89; Lu Shoujia, "How Will the Rural Areas Develop with 'Double Contract System' in Effect?," *Renmin ribao*, 9 Mar. 1982; "Service Type Specialized Households Very Welcome in Qinghu Commune," *Zhongguo nongmin bao*, 14 June 1983.

15. Zhang Zhongyi, "China's Economy Achievements in 1983," *Beijing Review* 20 Feb. 1984, pp. 14-20.

These second-wave reforms—decommunization, the new economic combines, and specialized households—are very much in the midst of unfolding at present. It is still difficult to tell how widespread they are or how lasting they are likely to be. They are creatures of the new prosperity in the countryside. They are also clearer expressions of the present leadership's vision of the future for the Chinese countryside. They are part of the trend toward rapid commercialization of agriculture. These new economic forms regulate their business by means of contracts that in part reflect market relations. And they provide avenues for untied surplus rural labor to be integrated into the larger economy. Their current, still tentative, existence probably depends on sustaining the rural economic boom of the last few years. Sustaining that growth may prove much more difficult than getting it under way.

PROBLEMS, DILEMMAS, AND DOUBTS

All this good news of recent growth and change in Chinese agriculture has not come to us unalloyed by reservations and doubts. With so much at stake, and with so many changes occurring all at once, it is no surprise to find China's leading coalition now enveloped in a swirl of economic-structural issues, political-bureaucratic struggles, and social-ideological concerns that bid fair to remain unresolved for some time. In a short discussion such as this, it is not possible to do justice to all these areas of uncertainty. But a sense of the breadth and depth of the present dilemmas over agriculture can perhaps be conveyed by looking briefly at four general questions now under vigorous debate within China and among those in

the West most conversant with Chinese affairs:

1. Is the current trajectory of agricultural growth sustainable?
2. What are the perceived and the actual effects of the reforms on the pursuit of equity and equality under socialism in China?
3. What are the likely sources and dimensions of bureaucratic backlash to the reforms?
4. How will the Party's leadership resolve its own internal divisions and ambivalences over the benefits of market socialism versus the need for a comprehensive state plan and strong central direction in an economy as diverse and a polity as fractious as that of China?

Sustaining growth

Without question, the reforms outlined previously, especially the procurement price rises and the widespread adoption of the responsibility system, have induced an impressive spurt of growth in agriculture. Latent entrepreneurial energies, buried savings, and idle labor have all been mobilized at once to invigorate the rural economy. But this spurt may rather quickly run its course if some of the economic distortions it has engendered are not soon brought under control.

Because of the central planners' commitment to subsidize food prices for urban consumers, the rapid leap upward in prices paid to peasants has put an inordinate strain on the central budget. Chronic central-budget deficits over the last few years have been more than a minor annoyance, and they have been very much the result of the exploding costs of subsidizing urban consumption. The equivalent of 25 percent of national-budget revenues has recently been going to such subsidies,[16] suggesting that there is deep anxiety among Chinese leaders about the political-economic losses that could come with urban unrest.

As noted earlier, direct state investment in agriculture has been lowered in recent years, easing this budget strain somewhat. But given the emerging pattern of farm family expenditure of recent windfall profits, that decrease must be little consolation for central finance authorities. Peasant consumption is up sharply and family savings are being poured heavily into new private housing, because property rights in housing have always been guaranteed to China's peasants and because family housing is the only major item of private inheritance for succeeding generations. Peasant investment in housing is, of course, competitive with investment in agricultural production; to sustain the current rate of growth, direct state allocations to agricultural investment may therefore have to be raised once again. Furthermore, insofar as certain forms of the responsibility system are undermining the social salience and the economic strength of the collectives, team-, brigade-, and commune-supported capital-construction projects such as irrigation works may lapse or fall into disrepair, creating further pressure on central revenues to take up the slack.

In view of these likelihoods, central authorities may soon face some hard choices between effectively raising taxes on farm incomes or passing some of the costs of higher farm prices onto urban consumers in the form of higher food prices—with the inflationary pressures that would entail. For reasons like these, Western economists following Chinese

16. Lardy, *Agricultural Prices in China*, p. ii.

affairs are looking for a retightening of controls in the rural sector before long.[17]

Equity and equality

For 25 years the undisputed major social cleavage in China has been between urban dwellers and rural dwellers. By any measure, peasants as a group have had a lower standard of living, greater income insecurity, inferior education and welfare services, and far less opportunity for upward mobility than their privileged urban compatriots. Thus, insofar as the current reforms have improved the welfare and life chances of peasants vis-à-vis workers and state employees, they have made a long overdue contribution to social equity in China. Few who are acquainted with the realities of grinding poverty in the Chinese countryside find it possible to quarrel with the impact of Deng Xiaoping's reforms on these grounds. But from the point of view of newly emerging patterns of intra-village and interregional inequality, the matter is much more in doubt and is the subject of heated dispute both in China and in the West.

As some agricultural regions with fertile lands, favorable climatic conditions, well-developed irrigation systems, or a comparative advantage in cash-crop cultivation are permitted to specialize and build on their strengths, they will realize profits for reinvestment that will soon put them far ahead of more poorly endowed regions. China has always had its regional disparities, of course, but current policies threaten to widen them significantly, while credible mechanisms for interregional redistributions are not yet in place. Sensitivity and uneasiness over these issues are already very much in evidence among Chinese officials. The ethos of developmental equity has a long, if not unblemished, history in China, and the representatives of underprivileged rural districts can be expected to draw heavily on that moral heritage in the infighting for special investments and subsidies over the coming years.

With the adoption of the rental type—that is, the so-called full responsibility systems—and the emergence of specialized households, the issue of intra-village inequality and faltering provision of collectively financed social services has become even more urgent, and the media have made a concerted effort to blunt criticisms of the reforms and reassure the Chinese people on this score. Statistics are released to show that China's very poorest peasants are absolutely better off under the reforms even as it is admitted that the gap between the richest and poorest peasants is widening.[18]

But in a boom period such as we have just seen, it is not surprising that nearly everyone will be doing better. The concern is for the longer term, for the economic downturns and slumps. It has been the team and brigade collectives that have provided the safety net for the poorest. The collective guaranteed a job and minimum subsistence. Now in many areas collectives are selling even their tractors and other equipment to individual households.[19] Formerly collective

17. See, for example, Nicholas R. Lardy, "Agricultural Reform and the Rural Economy" (Paper delivered at the Annual Meeting of the Association for Asian Studies, Washington, DC, 23 Mar. 1984).

18. Jin Qi, "The Income Gap," *Beijing Review* 21 June 1982, pp. 3-4; Wang, "Take the Road."

19. Keith Griffin, "Epilogue: Rural China in 1983" (manuscript, Oxford University, n.d.) presents some interesting data gathered in Sichuan on sales of team assets to households.

irrigation works can now be managed as companies—for profit and on a pay-as-you-go basis.[20] The collective's functions are diminishing. Contracts and market relations are spreading, and with market values goes the expectation that there will be winners and losers in the game.

Not every peasant household can become specialized. Not every family will be blessed with male children. Not everyone can escape serious illness. Without a strong and authoritative collective organization, who will enforce the village welfare contributions in bad harvest years? Among Chinese peasants, frustrated by long years of stagnation and waste, support for the new policies is clearly very broad; but we do not yet know how deep it is. We will have a better idea when they are tested by harder times. Even now there is plenty of evidence of concern and conflict over the weakening of communal norms of distribution. When we read a crime report in the Chinese press about a mob of unprovoked rural vandals and pilferers breaking into a pear orchard, recently contracted out to one household, and stealing the fruit and breaking down the new wall around it, we would be justified, I believe, in suspecting that many of those in the mob were fraternal team members who had put in their share of back-breaking labor in that orchard in past years and who were there to protest its privatization and to reassert their rights to the harvest.[21]

Bureaucratic backlash?

Throughout the lower-level bureaucracy there are officials who have long been deeply committed to the progressive and egalitarian social policies of the past. Consciousness of their misgivings about the potential consequences of some of today's reforms and calculated attempts to short-circuit their objections are often clearly visible just below the surface of public discussions of these issues in China now. As household-based economic activity flourishes at the expense of collective organization, some segments of the rural population are going to feel the effects more than others. Women who used to labor on the collective, for example, will now spend nearly all their time working in the family context where they are directly subject to patriarchal authority. They may find some of their personal freedoms curtailed once again in their relative isolation in conservative, male-dominated households.[22] The labor of children for the household now can net sums that a few years ago were unimaginable; children—and especially the girls—may be dropping out of school much sooner to go to work.[23]

The rural primary school system itself may soon be much changed, with poorer communities losing their better teachers to towns and villages able to offer higher salaries and more amenities.

20. On irrigation see, for example, Lin Ben and Yan Zhenyu, "Solution to the Problem of Farmland Irrigation Difficulties," *Fujian ribao*, 18 Mar. 1982, trans. in *China Report*, JPRS 81009, 9 June 1982, pp. 15-17.

21. An incident that raises some of these questions was reported in "Anhui Province Arrests Looters of Fruit Farm," *Daily Report: People's Republic of China*, 4 Dec. 1979, pp. 01-02.

22. Margery Wolf, *Revolution Postponed*, (n.p., forthcoming) makes this argument most persuasively.

23. Yi Mu, "Attention Should be Paid to Rural Students Who Unlawfully Quit Schools," *Shanxi ribao*, 26 Oct. 1982, trans. in *China Report*, JPRS 82440, 10 Dec. 1982, p. 123; a helpful account of the effects of the agricultural reforms on rural education can be found in Deborah Davis-Friedmann, "Provision of Essential Services in Rural China," in *Rural Public Services*, ed. Richard Landsdale (Boulder, CO: Westview Press, 1984).

Poorer peasants also may be finding that previously collectively operated clinics where they could be treated at very low cost are now being run as companies and raising fees for services. Health care for some may therefore be declining.[24] If such tendencies are not contained, if they are aggravated and become contentious, they will provide grist for the mill of those within the bureaucracy who are skeptical or resentful of the current line.

Some of the reforms are actually directly threatening to rural cadres themselves, of course. As the functions of the collective diminish, there is less for team, brigade, and even commune cadres to do. In many villages these people were glad to shed their arduous and relatively unremunerative leadership roles for the chance to get back to family farming and marketing. In other villages, however, cadres resent the loss of prestige, the small perquisites of office, and the relative job security of the past. This group of local notables may just be waiting for present policies to run into difficulty, when they will find a constituency for reassertion of the old forms.

For commune and county cadres, the situation is complicated by an ongoing campaign for upgrading the quality of rural administrative personnel. The center is pushing for younger people with higher quality, more specialized technical training.[25] There are now responsibility systems for cadres, too, that tie their incomes to success in meeting contracted targets and that carry pay penalties for failure. Salaries are no longer so secure; previously fixed promotion routes look doubtful in all the ongoing reorganizations. Many state and Party cadres, who are in effect becoming executives and employees of the newly forming companies and corporations, are having to adjust even to the possibility of lay-offs and firings. While many low-level bureaucrats may welcome these challenges, reports out of China today make no secret of the fact that many others are worried by it all, dragging their feet and sometimes even sabotaging reforms that threaten the securities of the old system.[26]

The dilemmas seem especially poignant for those rural cadres who have made Party work their specialty. With decommunization and the deliberate separation of politics from economic management, what profile the Party can expect to have in the countryside is far from clear. Party membership used to be one of the essentials for talented young people mapping out a career in China. For many today, the future looks brighter in independent entrepreneurship. Vigorous media assertions to the contrary notwithstanding, rural Party workers are already struggling with a growing sense of their own irrelevance.

Yet the center still needs committed people in the countryside. All the new contracts will have to be monitored and enforced. Labor flowing from countryside to cities and towns will have to be

24. Davis-Friedmann, "Provision of Essential Services in Rural China"; see also William C. Hsiao, "Transformation of Health Care in China," *New England Journal of Medicine,* 5 Apr. 1984, pp. 932-36.

25. See, for example, "Jining Prefecture Assigns Agricultural Technicians to Commune Leading Posts," *China Report*, JPRS 82782, 1 Feb. 1983, pp. 102-3; "Jiangsu Villages in the Midst of Decommunization, Basic Level Cadres Heading toward 'Four Transformations,' " *Zhongguo nongmin bao,* 28 June 1983.

26. See, for example, Wang Jiafu et al., "On Several Problems of Understanding in the Course of Executing the Economic Contract Law," *Renmin ribao,* 27 Aug. 1982; "Liaoning Popularizes 'Double Contracting System'," *China Report*, JPRS 92983, 16 Feb. 1983, pp. 94-96.

regulated. The increased scope for black markets and other illegal economic activity will have to be controlled. People committed to keeping a socialist orientation in development must remain on the job, or the viability of central planning and the legitimacy of the entire system will be in doubt. Right now these indications of cadre dissatisfaction and bureaucratic backlash are but a minor leitmotiv in what is otherwise an idyll of praise over the new reforms. Latent bureaucratic discord, however, like latent concern for communal equality, may swell into outright opposition and resistance if the reforms do not continue to deliver economic growth or if they appear to be going too far too fast.

Weighing plan and market

Just how far and how fast all these reforms should go is certainly not a matter of complete agreement among Chinese leaders today. Published discussions of the need to reconcile state plan and market forces in such a way that they reinforce, and do not compete with, each other most often consist of platitudinous abstractions, suggesting just how difficult it is, in current Chinese conditions, to reach real consensus about concrete aspects of the work of remolding the economy.

The expansion of the role of incentive schemes and of market relations was initially inspired by the desire to promote production and growth in agriculture so that the state could capture greater resources for national investment. Those in leading circles who strongly favor market solutions now argue that they be even more broadly applied to boost popular confidence in the current line and release even more entrepreneurial enthusiasm. But those in the leadership who remember that the ultimate goal was supposed to be to enhance the ability of the state to plan and coordinate rapid development are uncomfortable when bureaucratic controls are loosened. They worry that the state will not be able to claim a sufficient share of the new prosperity to maintain its leading role in the economy.

Their concerns do not appear to be premature. Many of the new economic combines are, after all, direct competitors to elements of the state-run economy; their operations may expand the economic pie, but they can also take business and other resources away from state organs. The new companies and combines have usually also been given very favorable effective rates of taxation, allowing them to accumulate impressive sums of capital in a short time. And once in possession of such resources, they do not readily give them up. The decentralization of economic decision-making authority that has come with expansion of market relations is already causing enormous difficulty for central planners trying to cut back the overall rate of capital construction in the country.

Runaway spending on new projects not in the state plan but undertaken by localities and other low-level units has reached amazing proportions. Excessive decentralization in finance led to reports in 1983 that extra, or over-plan, investment had reached almost 40 percent of the year's total budgeted investment figure.[27] Local units with money to spend were obviously ignoring central finance directives. A related phenomenon is the failure of general state revenue to increase in accord with overall economic growth. In 1982 revenue amounted to

27. "Quarterly Chronicle and Documentation," *China Quarterly*, no. 96, p. 764 (Dec. 1983); see also "About Extrabudgetary Investment," *Beijing Review*, 26 Sept. 1983, pp. 26-27.

only 25.5 percent of national income, the lowest proportion ever recorded.[28] Tax breaks and special revenue sharing arrangements that have accompanied the reforms are taking a heavy toll on the center's resources for leading the economy and commanding desired responses from the localities.

A struggle for power between the central government and local authorities is one of the major continuing themes of modern, as well as ancient, Chinese political history. The impact of the present reforms is to put more power and discretion in the hands of local officials and the managers of less bureaucratically tied new business entities. This in turn triggers anxiety on the part of patriots and Party regulars for whom socialism must mean guidance of the economy by a strong and centralized apparatus. These latter groups could make common cause with those forces in China that still favor the more radical social policies of the past; and together they might push for a rollback of the market reforms.

In this sense too, then, the Deng Xiaoping coaliton is taking an enormous political gamble. For if they are able (1) to maintain rapid agricultural growth while (2) containing the intra-bureaucratic backlash to the reforms and (3) keeping the distortions in the norms of social equality within tolerable bounds, then they will probably have enough public support to take the time they need to institutionalize the mechanisms for a workable blending of plan and market throughout the economy. But if, on the other hand, growth in agriculture starts to fall off and/or intra-bureaucratic and popular dissatisfactions are seen to rise, then central leaders will want to rein in the reforms quickly. But the more they have allowed working capital and decision-making authority to come to rest in the localities and in the new economic combines, the more difficult it will be for the central apparatus to reassert its dominant leadership and control. I do not mean to imply that the state center would actually be unable to reassert control; only that the longer the commercializing, market-oriented reforms are in place and taking hold, and the more power seems to settle downward within the system, the bloodier and more politically costly that battle to reassert central controls will have to be.

China's new course in agriculture is, therefore, complex and very risky. Its early successes have been impressive, but prospects for continued high rates of growth are open to question, and potential detractors and opponents of the reforms can be found at all points in the polity. As seems so often to be the case in Chinese affairs, the stakes for the Chinese people are very high, and the future still very much in doubt.

28. "Quarterly Chronicle," p. 765.

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QUESTIONS AND ANSWERS

Q (Lynn White, Princeton University, New Jersey): Many problems—government deficits, rural inequality, maybe party legitimacy, and others—can at least be delayed if the responsibility system continues to bring a good economic response. Has anybody studied when the marginal returns from the responsibility system will decline?

A: I think the responsibility system developed much more quickly than it was originally intended to develop by the center in China, and the response on the part of the cadres in the countryside has been one of playing catch-up with that mass over-response. Nicholas Lardy is intensely studying the future prospects for all these agricultural reforms, and it was to his work that I referred when I said that some economists were looking at this phenomenon and predicting retightening of controls in the future, but they are predicting it with the same inexactitude that I was. The areas that are possible constraints on the pattern of growth under the new reforms have been pinpointed, but the growth pattern is still risky to predict.

Q (Robert Serry, Mission of the Netherlands to the United Nations): Could the reforms in Chinese agriculture be generalized to the Soviet Union?

A (Walder): In a talk at Columbia University, Alec Nove mentioned that the Soviet Union is considering some decentralizing reforms. In fact, the Soviet reforms are vaguely similar to the ones used in China, although apparently the Soviets are not studying the Chinese reforms as a model. One of the points Nove made is that household-based agriculture simply cannot be implemented in the Soviet Union, because Soviet agriculture is so widely mechanized—those combines cannot just be pulled apart. Decentralization in the Soviet Union would be a breakdown into much larger units than in China. The resistance to linking output to reward on the household level is less ideological than technical.

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Population Movement, Labor Force Absorption, and Urbanization in China

By SIDNEY GOLDSTEIN *and* ALICE GOLDSTEIN

ABSTRACT: Concern in China with problems of rural-urban population distribution, rates of urban growth, and relations between employment opportunities and rural and urban development have resulted in a firmly articulated policy regarding population movement. Permanent movement from rural to urban places and from smaller to larger urban places is strictly controlled. Yet the pressures of a large surplus labor force and the introduction of the new economic responsibility system have led to a substantial increase in population mobility, most of it temporary. Such circulation has become a major mechanism to allow rural areas to cope with their surplus labor and to raise rural standards of living. It has also allowed urban places to gain the skilled service workers and unskilled construction workers that are in short supply without putting undue pressure on urban facilities.

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MIGRATION represents a major mechanism by which populations adjust to demographic pressures and by which equilibrium is achieved in the labor market. Its importance in population redistribution and its relation to development—and to urbanization in particular—has been long recognized and extensively studied, even when the data have been seriously restricted for such purposes. Moreover, researchers and policymakers are increasingly coming to recognize the importance and pervasiveness, both historically and currently, of short-term, temporary movement—circulation—as one response in the wide variety of adjustments populations make to changing conditions. As yet, however, no clear, consistent definition has emerged by which to delineate circulation, and research on motivations for such movement has only begun to document the decision-making process.[1] Nonetheless, it is clear that the possibilities of household labor reallocation and employment opportunities are factors in determining both the extent of population stability and, among those who move, the choice of circulation versus more permanent migration.

The question then arises as to how circulation and migration complement each other in the complex process of modernization and national development and what role each plays in the changing labor force needs of urban and rural places. Research in Africa, Southeast Asia, and Melanesia suggests short-term movement has come to play an important role in the development process in these regions, not only from the point of view of the individual or the household, but also from a national perspective.[2] Circulation helps to adjust labor supply and demand on a regional or even national basis without the social dislocation that large-scale permanent migration may entail and without placing the added strains on cities that would be created by the influx of a large group of migrants. It may also allow for the provision of services through the informal sector that are in short supply otherwise. Concurrently, the flow of funds and ideas that circulation engenders may become a critical component of rural modernization.

In recent years a large number of countries have identified migration and spatial distribution as a severe problem.[3] Given the concerns with the problems of big cities and with rural-urban migration, temporary movement together with rural development may well provide governments with the basis for alternative distribution policies. Circulation may become a major mechanism by which some or many of the undesirable effects of permanent migration on the mover and on conditions at origin and destination can be avoided or at least reduced. We know little about these relations, largely because of the limited research done on temporary movement. As a result, planners and

1. Murray Chapman and R. Mansell Prothero, "Themes on Circulation in the Third World," East-West Population Institute, Working Paper no. 26 (Honolulu, HI: East-West Center, 1982).

2. Ibid.

3. In 1981, 75 of 126 less-developed countries considered their distribution of population to be inappropriate and to require substantial modification, and 45 other countries considered it to be only partially appropriate; only 6 less-developed countries regarded their population distribution as acceptable. United Nations, Department of International Economic and Social Affairs, *World Population Trends and Policies: 1981 Monitoring Report*, vol. 2, *Population Policies*, United Nations, Population Studies no. 79 (New York: United Nations, 1982), tab. 49.

policymakers have been slow to recognize the role circulation may have in the national development process, especially in the redistribution of the labor force.

In this respect, the situation in China may be of particular interest because of that nation's centrally planned economy and carefully articulated and controlled migration policy. To some extent, Chinese planners have recognized the value of temporary mobility as an alternative to permanent migration and have provided for it in the more formal planning process. To an even greater extent, they have recognized the need to develop alternative nonagricultural job opportunities in rural areas and small towns as a way to absorb surplus rural labor.

The concerted efforts of the Chinese government to control population growth through its one-child family policy has, understandably, received worldwide attention. Less well known outside China is the considerable attention given by Chinese government officials at all levels to problems related to the rural-urban distribution of the population, to the rates of urban growth, and to the relations between employment opportunities and rural and urban development. These concerns have led to the emergence of a clearly and firmly articulated policy regarding population movement and the distribution of population between rural and urban places and among urban places of different size.

China's efforts in these areas, like those in fertility control, are of critical significance for the future development and modernization of the nation. Moreover, the efforts to control population distribution and to achieve orderly urban growth merit continuing monitoring and evaluation for the lessons they may provide for other developing countries. To the extent that many developing countries have rated problems of population distribution even higher than those of population growth,[4] China's experiences will be of particular interest for the insights they may provide on how to avoid many of the negative consequences of too rapid urban growth at the same time that the benefits of urbanization for the overall development process and for the absorption of surplus rural labor can be realized.

Of the approximately 1 billion people enumerated in China's third census, just over 206 million were living in its 236 cities and 2664 other urban places.[5] With only 1 out of every 5 persons living in cities, China has a comparatively low level of urbanization. But because of the very large numbers involved, China has more people living in urban places than constitute the total populations of all but three other countries in the world—the United States, the Soviet Union, and India. The Chinese situation is particularly challenging and interesting because, concurrently, almost 800 million persons still live in rural areas and are largely engaged in agricultural activities.

4. United Nations, Department of International Economic and Social Affairs, *World Population Trends and Policies: 1979 Monitoring Report*, vol. 2, *Population Policies*, United Nations, Population Studies no. 70 (New York: United Nations, 1980).

5. According to the State Council, a city is defined as a place that contains a population of at least 100,000 or, if it has a smaller population, as the location of the provincial leadership organs. Other places are defined as urban (1) if they contain 3000 or more people, of whom at least 70 percent are engaged in nonagricultural activities; or (2) if they have populations of 2500-3000 and at least 85 percent are nonagricultural. Li Chengrui, "On the Results of the Chinese Census," *Population and Development Review*, 9:331 (June 1983).

Therefore, as the Chinese themselves recognize, the concerted efforts now in process to modernize and develop the country must sooner or later involve the absorption of several hundred million more rural persons into nonagricultural activities and possibly into urban places.

As in other countries, considerable motivation exists among the rural population to move into cities. As is true worldwide, differentials in quality of life remain great between urban and rural places, even after concerted efforts to reduce them. Better housing, sanitation facilities, and educational opportunities; more varied entertainment; and availability of consumer goods all provide convincing stimuli for a shift from village to city.

In China a second factor also operates: the difference in ownership systems that characterize urban and rural places. In cities, most job opportunities exist in state-owned enterprises, in contrast to collective ownership in rural areas. In cities, therefore, the state is responsible for providing jobs to all able-bodied residents. Such employment has been particularly attractive because it carries job security, stable and higher income, free medical care, retirement pensions, housing subsidies, and other fringe benefits for the workers and their families. Such lifelong security—the iron rice bowl—has acted as a powerful attraction for peasants whose current income depends in large part on natural forces and on decisions made by the collective leadership about distribution of income, and for whom old-age security, other than support from children, has been far from institutionalized.[6]

6. Deborah Davis-Friedmann, *Long Lives: Chinese Elderly and the Communist Revolution* (Cambridge, MA: Harvard University Press, 1983), pp. 18-19.

Although some of these factors will undoubtedly change with the institutionalization of the responsibility system, to be described more fully later on, the attraction of urban places for peasants is likely to remain strong. Because of this and because of the vast size of the rural population reservoir, China potentially faces in exacerbated form many of the serious problems associated with urban growth and rural development confronted by other less developed countries. The Chinese situation is much more critical because of the much larger population involved and because of the rapidity with which change is occurring in China. Even a 10 percent shift from rural to urban would involve 80 million persons and lead to about a 40 percent increase in the urban population. On the other hand, the Chinese have already given considerable attention to the problems of both population growth and population distribution and, over the course of several decades, have experimented with various efforts to control urban growth—especially the growth of big cities—and to absorb surplus labor in rural areas and smaller urban places.

There is, of course, also a third difference. The nature of the political situation in China is such that once a given policy is adopted, it can be implemented more rapidly and thoroughly than in most other developing countries.

China is thus concurrently embarked on several policies designed to deal with its demographic problems: the one-child family policy, strict control of urban growth, and regulation of population movement. It has also introduced a new agricultural responsibility system, designed to increase agricultural productivity, absorb surplus rural labor, and raise the quality of life in rural areas.

Each policy is designed directly or indirectly to affect one or more aspects of the population system. Yet, because all are interrelated, each policy has a potential impact on how people react to the other efforts to control population growth and distribution. This article will focus on the impact of the responsibility system on population movement and the problem of surplus labor.

THE INDIVIDUAL RESPONSIBILITY SYSTEM

Despite the high hopes for agricultural production following introduction of the people's communes in 1958, China's agricultural output in the next two decades failed to gain the desired momentum. The increase in the agricultural output value of only 84 percent, coupled with a population that grew from 646.5 million to almost 1 billion, meant that per capita gains in crop production in the next two decades were minimal at best. The Chinese government recognized the urgent need for change and in 1979, consonant with the general effort toward modernization, adopted a new agricultural policy.[7]

This policy has a number of key components, including

—the restoration and enlargement of private plots for peasants;

—the encouragement of household sideline occupations and rural trade fairs;

—an increase in the purchase prices of major agricultural and sideline products;

—import of 10 million tons of grain annually in order to lighten the burden on peasants;

—a shift from stressing grain production to a more diversified economy, thereby enlarging the avenues open for income generation; and

—the establishment of a flexible production responsibility system, capable of being tailored to local conditions.

A 1983 estimate indicates that as many as 93 percent of rural production teams in China had introduced the responsibility system.[8]

As a result of these changes, agricultural output value is reported to have risen substantially over the following three years, at an annual average of 7.5 percent compared to an average of 3.2 percent in the preceding 26 years, 1953-1978.[9] The nation tallied an increase in grain, cotton, and oil-bearing crops, and a substantial rise (about two-thirds) in peasant per capita income, with almost half of the total average annual income—that is, ¥107 of ¥223 (US$1 = ¥2.4)—derived from private plots and household sideline occupations. Moreover, rural-urban differentials are beginning to narrow, as indicated by changes in the relative income for peasants and city workers. Between 1978 and 1982, the average net income of peasants is reported to have risen by 93 percent; in contrast, that of workers rose by only 58 percent. Reflecting these changes, the disparity between the two groups was reduced by 21 percent, with a parallel reduction in the 1978 disparities in expenditure between the urban and rural population.[10] A key factor in the great

7. Lu Baifu, "The Way for Agriculture," *Beijing Review*, 24 Jan. 1983, pp. 14-17, 21.

8. "New Achievements in Rural Economy," *Beijing Review*, 5 Sept. 1983, pp. 6-7.

9. Wang Dacheng, "Take the Road to Common Prosperity," *Beijing Review*, 26 Sept. 1983, p. 4.

10. "Peasants Closing the Gap," *China Daily*, 9 May 1983.

progress made in agricultural production is seen to be the responsibility system per se.

The responsibility system is based on contracts involving three parties: the state, the collective, and the peasant household. At the highest level, the state works out the rural production plan, assigning types of crops and volume to various regions and allocating quotas to the collectives. The collective, in turn, through its production brigades, contracts out tracts of land to peasant households who agree to grow given quantities of the specified crops. The collectives are also responsible for distributing work animals and large and medium-sized farm tools to peasant households. At the lowest level the peasant household is required to deliver its quota to the collective and, through it, to the state. The collective retains a share of the earnings from the sale of the crops for its own use. The balance of agricultural production is owned by the peasant households and is subject to an agricultural tax at the household level.

Within this broad, general framework, variations exist in the application of the responsibility system in different communes, as the following examples illustrate. In an agricultural complex located on the outskirts of Beijing, the responsibility system operates in two ways. One method involves giving an annual quota for production to a group of peasants—not individual households. The group must fill its quota by growing and selling products and giving *yuan* to the complex; the complex, in turn, gives work points, which have monetary value at the end of the year. If the quota is overfulfilled, 30-50 percent of the surplus cash is divided among group members; the rest goes to the complex.

The second method involves the signing of a contract between the complex and the contracting unit. The complex has 1400 contracting units, of which 400 are individual households and 1000 are groups of households that have agreed to work together. The contract stipulates that 20 percent of the income generated is given to the general complex, that the unit pay a state tax, and that it pay a 5 percent management fee to the subcomplex. The remaining income is divided among unit members. Peasants can decide for themselves which system to follow.

At all times, ownership of the land remains with the complex, which also decides exactly what is to be grown. The economy thereby remains planned. Moreover, the products are sold to the complex, which in turn sells them to the state at prices fixed by the state; they are not sold on the free market. Peasants are also allocated individual plots, however, with all members of a specific brigade given an equal amount of land—for example, in one brigade 300 persons divide one hectare equally. The amount of land allocated to a single household thus depends on the number of persons in that household. Peasants are free to sell whatever they produce on these plots at free markets.

A somewhat different approach is illustrated by the Lijia brigade, part of a Shandong commune located outside the city of Weifang. The brigade's 170 agricultural workers are divided into eight groups; it is these groups that sign contracts with the brigade. The amount of land assigned to a group depends on the number of its workers. If the group exceeds its production quota, the excess products—grains as well as vegetables—must be sold to the brigade. The excess

is bought at a price that is higher than the contract price, but none of it may be sold on the free market. Nor does the brigade provide its members with private plots. The group divides its income on the basis of work done, taking into account the amount as well as the productivity of the land cultivated by its individual members. This system is used by some brigades in the commune; others sign contracts with individual households.

The agricultural responsibility system clearly permits variation in interpretation by individual communes. For the peasant household it allows flexibility in organizing productivity and especially a high degree of self-management. Work assignments are no longer randomly determined by arbitrary orders. Yet the responsibility system conforms to the socialist principle of distribution, namely, that those who work more also receive more income. Within the limits imposed by the agreement with the collective, the peasant has the right to use the land to maximum advantage, although he has no right to sell, lease, or transfer the land. At all times, the land is owned collectively, as are the large farm machines and irrigation systems. Public ownership of the basic means of production—land, machines, and water—it is argued, ensures maintenance of the socialist system of agriculture.

The responsibility system is thus seen as a key element in China's efforts to modernize while meeting the needs of its largely rural population. At the same time, the kinds of activities encouraged under the new system have had considerable, and sometimes unforeseen, impact on several of the nation's other policies, including efforts to increase food production, to control population growth, and to limit movement into cities.

According to reports in the Chinese press, in some locales where peasants are enjoying greater returns from commodity production, some see little benefit from being committed to agriculture.[11] They have therefore begun returning their contracted lands to the commune. Most of the peasants adopting this attitude are from households specializing in industrial and sideline production or involved in commune- and brigade-operated enterprises. Evidently, part of the problem stems from what are considered burdensome taxes and other expenses imposed on the peasants by some communes. By engaging exclusively in industrial production and sideline activities, such taxes may be avoided. In other locales, peasants who preferred farming and were especially successful farmers enlarged contract areas and began specializing in the production of particular crops, usually not grains, to their greater advantage. Such crops may not always be the ones most needed by the nation as a whole.

Introduction of the responsibility system also led, in many places, to reactions that had significantly negative implications for the success of family-planning programs in rural areas. As families realized that their incomes would be affected by productivity, many evidently concluded that larger families would be an economic asset. More children, it was thought, would provide more labor that could be used either to exceed agricultural production quotas or to earn income in nonfarm activities. Such conclusions were reached after calculating the relative monetary advantages of having more than one child against the added costs incurred through

11. "Readjusting Rural Contracted Farmland," *Beijing Review*, 24 Oct. 1983, p. 6.

both childbearing expenses and the loss of benefits given to one-child families.[12] Still others evidently concluded that the added income and grain generated from the responsibility system was more than sufficient to allow enjoyment of a higher standard of living for the family as a whole while also allowing adherence to more traditional values concerning family size and sex preference.

The potential threat of such attitudes and behavior to the success of the one-child family policy was recognized early by officials. A concerted effort has therefore been undertaken, both through education and through more concrete measures, to prevent the responsibility system from indirectly undermining the family-planning program.

In many areas of China, peasants are now called upon to sign two contracts. In these, two kinds of production are taken into account: agricultural production and human production. Under the contract relating to production of children, a couple agrees that if they have more than one child—in rare instances, more than two children—the benefits reaped from their economic contract will be curtailed. This may take the form of

—loss of extra land for private plots that is given as a bonus to the one-child family;

—assignment of responsibility for growing a less lucrative product, for example, grain instead of fruits and vegetables;

—an increase in the quota of production that must be delivered to the state, for example, from 400 to 600 *jin* per *mu*;

—assignment to less productive land;

—loss of job preference in one of the commune's workshops or factories; and

—an actual monetary penalty to be paid to the state.

Overall, therefore, two responsibilities are simultaneously stressed, one with respect to production of products and the other with respect to the production of children. It is clear, however, that efforts to control fertility in this way have not met with universal success; it was reported that it is still difficult for peasants in remoter areas to understand and appreciate the policy. In other areas, especially in the more fertile and productive provinces, such as Guangdong, many peasants are willing to pay the penalties for having more than one child. Again, the importance of an intensive education program is stressed, as is the importance of the development of nonagricultural activities that, it is hoped, will stimulate stronger linkages between rural and urban places, including increasing adoption of urban values by rural residents.

One manifestation of the growing links between village and urban place has been an increase in the geographic mobility of peasants. Here again, the responsibility system is having an impact on China's policies for urban growth and migration.

12. An important element in the success of China's one-child family policy is an elaborate system of incentives and disincentives. Although the specifics of implementation may vary from one province and local area to another, one-child families are clearly given preferred treatment with respect to education, child-care services, medical care, job placement, housing space in urban places and land allocation in rural areas, and family allowances. The policy also calls for reliance upon necessary and feasible restrictive measures, which may take the form of negative applications of these incentives.

POLICIES FOR URBAN GROWTH AND MIGRATION

China's strategy for future urban development grows out of the belief that the rapid growth of big cities has given rise to many problems related to housing, employment, and infrastructure, and that the number of big cities and the size of their population need correction. China also recognizes that the needs of its rural masses—numbering 800 million—must be met. Urbanization, it is therefore argued, must be harmonious with the development of industry and agriculture; this, in turn, requires that city development be tied to agricultural production and that heavy industry must serve light industry and/or agriculture. The need to develop all three concurrently lies behind the basic urban policy of (1) strictly limiting the size of big cities; (2) properly developing medium-sized cities; and (3) encouraging the growth of small cities and market and agricultural towns.

Whereas big and medium-sized cities are seen as the location of heavy and light industry, small cities and towns are viewed as the potential location for handicraft and workshop activities, with labor supplied largely from the rural surplus. Such places, it is argued, require less investment while they also serve as catalysts for changing rural into urban populations. What is perhaps most interesting about the stress on the development of small places as the proper course of urbanization is the magnitude of the transformation that it would involve. Although planners recognize that any one town can absorb only a limited number of people, they point out that the large number of such places allows the aggregate effect to be great. For example, if each of the nation's 2100 county seats increased its population to 50,000 persons, 39 million people would be absorbed over the current 61 million county town residents. And if each of the 54,000 commune seats increased to an average of only 5000 persons, some 270 million would be resident in these centers.

Paralleling China's urban policy and closely tied to it is its policy on migration. Above all, migration must fit the needs of the planned economy, and any movement that is allowed, especially to urban places, must be compatible with economic development. Since urban growth is to be carefully controlled, migration to urban places must also be carefully controlled. A set of specific principles has been developed to meet these goals:

1. Rural-to-urban population movement must be strictly controlled. This applies especially to movement to Beijing, Shanghai, and Tianjin.
2. Movement from town to city, from small to big city, from rural places to suburbs must be properly limited.
3. Movement between places of similar size does not need control.
4. Movement from large to medium or from medium to small urban places, or from urban to rural places should be encouraged.

The basic mechanism by which such movement is controlled and defined is the household register system. Each individual in China has an official place of residence, the record of which is maintained at the brigade level in rural areas and at the neighborhood level in urban places by the Public Security Bureau. To effect a permanent change in residence, permission must be granted by the appropriate authorities in the places of origin and/or destination. Peasants can generally obtain an urban

household register in only one of three ways:

1. Enrollment in a university carries with it urban household registration, which is then retained.

2. If cities expand and take over farmland, peasants displaced in the process may become entitled to urban household registration. The same may be true if factories or the railroad takes over the land, even though the city itself does not expand.

3. Permanent employment in an urban place leads to urban registration, but in such cases family members of the employee must generally retain their rural household register, even if they in fact live in the city.

Altogether, the number of peasants who are issued urban household registration is relatively small. In Shandong Province, for example, rural-to-urban migration constituted 24 percent of all migration in 1982. The balance comprised persons who already held urban household registration. Of the 24 percent, half were students enrolled in universities; almost all the others were workers employed by factories. Only a very small proportion consisted of family members of workers and cadres who were being reunited in the cities.

The net result of these combined policies is seen not only as a way to avoid big-city growth while still providing urban job opportunities and spreading urbanism as a way of life, but also as the best way to integrate the city more fully with the countryside. Serving as a key link between urban and rural would be the small cities and towns, which have both urban and rural characteristics.

How is such development of small cities to occur? Local industry and small workshops operated by communes and brigades are seen as providing the operative mechanism. In some areas, such as Suqian County in Jiangsu Province, peasants are actually given governmental help in making the transition from agricultural to nonagricultural activities. Such help takes various forms, including financial assistance, provision of raw materials, and technical training. Peasants may obtain permits allowing them to become specialists in such service activities as tailoring, carpentry, and blacksmithing, and even to hire up to three apprentices. Others may be given permission to open shops or operate small factories, or to purchase tractors, carts, or boats for transportation. Technically qualified peasants may be allowed to operate nurseries, bookshops, or clinics and are offered technical guidance to enhance the quality of their activities.

That these economic activities constitute a drastic break with earlier restrictions is recognized by the state. Accordingly, reports indicate, the government is providing legal protection and adequate publicity to the new policy as a way of ensuring that peasants are not deterred from engaging in such activities out of fear of being stigmatized by fellow peasants by being out-of-line.[13]

As such brigade and individual enterprises increase and involve more of the rural population, the resulting concentration of nonagricultural activity is expected to provide the basis for the development of small towns, with a concomitant growth in transport, communication, and service sectors. Some of the workers would then be allowed to trans-

13. Jing Wei, "Responsibility System Revives Jiangsu Countryside" *Beijing Review,* 28 Nov. 1983, pp. 17-22.

fer their household registration to the towns, while others continued to commute from villages. Moreover, it is anticipated that as service and industrial activities develop, financial resources for development of the infrastructure will be generated.[14] Thus, use of local land, local labor force, and local natural resources will combine to provide the basis for absorbing surplus rural labor and creating small towns.

The linkages to larger urban places are reinforced by these developments. One such link is created through the tie-in of small, rural factories with large, urban plants. The small workshops produce component parts for the larger factories, thereby obviating the need for more urban construction and for the movement of workers into cities. Production of commodities for the urban market also helps relieve the pressures resulting from the inability of urban industry to meet market demand.

Such interaction between urban and rural industries and the involvement of urban experts as advisers to the newly developing rural industrial and commercial activities provide further opportunities for urban ideas and know-how to spread to rural areas. Most important, given the government's strong determination to control big-city growth, is the contribution rural industry has made to the creation of urban facilities in rural locations, already stimulating the transformation of some commune seats into small towns. The location of small factories and commercial establishments in such places, coupled with the use of commune income to improve school, medical, recreational, and business facilities as well as roads and other infrastructures allows peasants to enjoy more of the amenities of urban life and thereby helps both to improve the quality of rural life and to reduce the desire to move to cities.

While narrowing the preexisting gap between rural and urban places, rural industrialization is not without its problems. Environmental pollution from industrial waste is already troublesome, calling for concerted remedial efforts to prevent serious damage to agriculture and fish production. Energy shortages present another serious challenge; lack of sufficient energy has impinged on the speed of rural development and has added production costs in those places where energy supplies have had to be transported great distances. A third immediate concern focuses on lack of adequate planning with respect to the choice of products to be produced. It seems ironic that, in a highly planned economy, many decisions are evidently made in terms of locally perceived market conditions. As a result, reports suggest, too much duplication of effort occurs, with many small factories producing the same product, leading either to underutilization of factories or to production of surplus products. Recognition of the need for better planning and even for consolidation may serve to correct this situation in the future.

Despite these problems, rural industrialization is proceeding at a rapid pace

14. Funding for such development is seen as coming primarily from the commune or brigade savings that are being generated by the responsibility system. Local government may also provide some capital. Further aid would come from urban-based factories and unions that might contract with communes to make various components for their products and would thereby provide raw materials, equipment, and possibly even land. The state ministries, such as the railroad, may also assist by providing land. Once a town is sufficiently developed, the state then expects to step in and provide some of the needed infrastructure.

and is being welcomed at all levels. As a brigade leader in Jiangsu Province pointed out,

> To live better, you must run industry and sideline occupations in a big way while doing a good job at farming. How can one count on farming alone for a better life when our village has only an average of 0.05 hectare of farmland for each person?[15]

Indeed, China's policymakers and planners believe that, if these policies can be successfully carried out, in the process, everyone wins: big-city growth is controlled, urbanism is enhanced, rural labor surplus is absorbed, and economic and social links between rural and urban areas are strengthened.

THE PROBLEM OF SURPLUS LABOR

Because the responsibility system encourages greater efficiency in the use of manpower and peasants can themselves decide on manpower allocation, a large number of peasants are no longer required for farming and are regarded by officials as surplus labor. As many as 200 million peasants may be displaced by the year 2000. In addition, approximately 20 million rural youths are also entering the labor force annually. Absorption of this huge number of persons into productive rural employment is a major challenge that is being met in a variety of ways, several of them related to the responsibility system.

One response, at the household level, has been the proliferation of peasant sideline activity. This may involve raising pigs, ducks, or geese, or the growing of fruits or vegetables on private plots. These items can then be sold either to the state or in the free markets. Such sideline production has led to a larger volume and better quality of marketable agricultural products. Peasants may also engage in producing small handicraft items, such as baskets or small wooden bowls, which they can easily sell themselves. Others may engage in cottage industry, under contract to brigade- or commune-run workshops.

The most lucrative endeavors, however, are hauling for construction companies. Most villagers—men and women—who engage in such efforts use two-wheel carts that are manually pulled. No onus is attached to such work since it reportedly generates among the highest incomes in the entire village. Some of these individual endeavors have been so successful that as many as 20 peasants in one brigade had already been able to save enough money since the introduction of the responsibility system to buy small trucks. The trucks cost about ¥6000 but generate earnings of as much as ¥10,000 a year when used for construction hauling.

At the commune and brigade level, the response has taken the form of a very substantial growth of rural industry: food processing, production of farm-related products such as fertilizer and small farm machinery, construction supplies such as cement and bricks, and other small industrial products or components. Such development is a key component of the new economic policy and is closely related to the responsibility system. It has resulted in the absorption of an increasing proportion of the rural labor force. In May 1983 it was estimated that China had 1.3 million commune- and brigade-run enterprises, which employed a total of 30 million

15. Jing Wei, "Industry Thriving in Jiangsu Countryside," *Beijing Review*, 12 Dec. 1983, pp. 20-23.

workers.[16] These account for more than 10 percent of China's total industrial output value. The experience of some communes will perhaps best illustrate how the system works to effect change and the amount of variation that exists in how it is applied in different settings.

One example is provided by a brigade on the outskirts of the city of Luoyang. The major agricultural activities focus on growing winter wheat, corn, and tobacco, with the fields divided among the households on a per capita basis. The vegetable fields are cultivated by small teams. Of the 1200 villagers, 500 are members of the labor force; but over the last few years some 120 were surplus labor, and 20 young people enter the work force each year.

In order to absorb this surplus, the brigade has developed a number of sideline industries, including a workshop making construction components and a brick-making workshop. These workshops operate under contracts from a factory in the city that also provides the raw materials to the brigade. In addition, the brigade raises fish in three large fish ponds and recently opened a bakery to make cookies and cakes. It buys its raw materials from state stores and sells directly to shops in the city. Indicative of how highly motivated the workers are to develop these new enterprises further, the bakery employees had taken Sunday to go into the city to learn about hygiene and quality control. The brigade head reported that they plan to enlarge the present factories to continue to absorb surplus workers. The enterprises were seen as particularly appropriate since they required relatively low skill levels and thereby matched the quite limited qualifications of the labor force.

On a much larger scale than the activities of this Luoyang brigade are the projects of an agriculture, industry, and commerce complex—formerly a commune—outside Beijing. The complex includes 28,000 persons in the labor force, of whom 19,000 are engaged in agriculture and 9000 in nonagricultural work. The complex produces 10 percent of the agricultural products, especially vegetables, needed by Beijing's population, yet two-thirds of its gross output value results from nonagricultural products and services. Among the nonagricultural activities are 16 factories producing such varied items as farm tools, conveyor belts, furniture, cement, water drums, and tractor carts. These factories are run by the complex itself; the 20 subcomplexes have additional factories providing still more diversity.

It is evident that the responsibility system has worked well here. Not only has the quality of agricultural produce improved; peasant income has also risen. In 1978, before the responsibility system was introduced, the average per capita income was ¥229. By 1982 it had risen to ¥500. The complex also reported that it had no problem of surplus labor. Young people were able to engage in farming while waiting for jobs in factories. It was pointed out that since the introduction of the responsibility system, young people did not mind engaging in agriculture since they could use their training to increase output and therefore to increase their income; in the past, added skills could not be used to great individual advantage.

Not only has the reorganization of commune activities directly benefited its members; by generating greater income for the complex itself, a variety of social

16. "New Firms to Help Rural Collective Enterprises," *China Daily*, 23 May 1983.

services are now provided. Hospital care is provided free, nursery and kindergarten fees have been cut in half, a retirement system has been instituted, and a home for the childless aged has been constructed. The complex has built a cultural center, housing a library and several recreation rooms, and films are routinely shown. A number of urban amenities have thus been introduced as part of the complex's goal of raising the quality of life for its members. By so doing, it is argued, the desire to move into the city itself is attenuated.

Even in those communes where nonagricultural work was introduced long before institution of the responsibility system, workshop activity has proliferated in recent years. A brigade in Shandong Province introduced nonagricultural activities as early as the mid-1960s; it has since built restaurants and hotels and also has organized transportation and construction teams. The rapid change in the character of the brigade is evidenced in the statistics on its labor force. In 1960 the nonagricultural workers constituted only 20 percent of the total labor force. That figure increased to 35 percent by 1970, and to 60 percent by 1980. By 1983 three-fourths of the labor force was engaged in nonagricultural activity, and only one-quarter of the brigade's total income was derived from agriculture; the rest came from industrial output and sideline activities.

The decision of who goes into agriculture and who enters nonagricultural work is made among the brigade members. Individual preferences are taken into account, as well as the training and likely future development of individuals. For example, young people with more education may be trained for skilled work, and may even be sent elsewhere for specialized training. Those with greater physical strength may be assigned to work in agriculture; middle-aged peasants with rich farming experience are likely to stay in agriculture. As agriculture becomes more scientific and mechanized in the future, it is expected that the greater need for skilled labor will provide growing opportunities to those who would like to remain in rural areas but also wish to use their education to greater advantage.

In response to the changing balance between agricultural and nonagricultural work, some rural households may, in cooperation with others in their brigade, withdraw from crop raising altogether and devote their energies entirely to industrial enterprises. But specialization may also occur in agricultural production. In several brigades in Wuxi County, for example, such agricultural activities as the raising of rice seedlings were contracted out to households with special expertise. The labor thereby saved was, in turn, utilized for industrial or sideline production under the responsibility system. These changes were seen as ensuring a more balanced and integrated development of industry, agriculture, and local sideline production.[17] More commonly, one or several household members will participate in rural-based industry while others within the same household will continue to engage in farming—referred to popularly as "half-industry, half-agriculture households."

The foregoing examples of the operation of the responsibility system suggest that these efforts are clearly serving several purposes. They are raising rural income, providing jobs for a large proportion of the surplus labor force, and they are forging links between rural

17. "Farm Production a Matter of Balance," *China Daily*, 23 May 1983.

areas and the cities. If these changing conditions thereby reduce the desire for rural-to-urban migration and make small towns and villages desirable places in which to live, then the new policy will have succeeded in one of its major goals. But until such programs are sufficiently widespread and well established, a strict migration policy remains in place throughout China. At the same time, however, the volume of temporary mobility in China is consistently reported as having increased rapidly in recent years as a result of the responsibility system and in part in response to China's policy of restricting permanent movement to its cities and towns.

TEMPORARY POPULATION MOVEMENT

The temporary movement of surplus rural labor into urban places emanates largely from the sideline activities encouraged by the responsibility system. At least four different forms of temporary mobility can be identified.

1. One prominent way in which the individual responsibility system has fostered movement is manifested in the free markets that are proliferating in cities. Among peasants living in the suburban districts surrounding the inner city, from which travel to the market is relatively easy and fast, daily circulation is perhaps the most common form of mobility. In the early hours of the day scores of individuals can be seen walking, bicycling, and pushing or pulling carts en route to markets. The largest number bring agricultural products that they have grown and/or gathered themselves. Some bring handicraft products that they have produced; and still others may be serving as middlemen, bringing goods that they have purchased from other peasants in their commune. Most, it was reported, are able to dispose of their products in a single day either through retail sales or a combination of such sales and sales of the remaining products to state markets. Some will be able to make use of storage facilities for unsold products in the marketplace itself or in the homes of friends or relatives to avoid carrying the products back to the suburban communes.

For those coming from rural—as opposed to suburban—areas, for whom the travel time is longer, the circulation process may be extended over several days. Some individuals actually fly from one province to another in order to take advantage of markets where their products are much rarer and therefore more in demand and likely to sell at higher prices. Evidently restrictions on such long-distance mobility have been gradually relaxed and recent announcements suggest that such movement may even be encouraged as part of the flexibility associated with the responsibility system.

2. Still another way in which the individual responsibility system fosters migration involves the commune or the brigade per se. A growing number of communes and brigades are operating shops in the city for either agricultural or industrial products produced by the commune. In such instances the commune evidently receives permission from the city to operate the enterprise and is expected to pay an appropriate tax to the city. Members of the commune or brigade are assigned to live and work in the city for a specified period. There is often a regular turnover in personnel who continue to be considered rural residents even while living in the city, based both on the locus of their household register and because they receive their grain ration through the

commune. Usually such migrants are not accompanied by family members.

In Handan, an industrial and mining center in Hebei Province, for example, more than 10,000 peasants living in the various communes surrounding the city now work in hotels, cinemas, restaurants, and other enterprises sponsored by their communes and brigades.[18] An additional 10,000 peasants are reported as operating private enterprises, such as snack stands and shoe repair services. As a result, only 60 percent of the rural labor force continue to farm the land, and 20 percent of the communes' aggregate income of ¥130 million comes from the service industries they operate.

3. Communes and brigades also contribute to mobility between rural and urban areas through the initiation of contracts with unions engaged in construction. Under such arrangements, the commune provides a specific number of construction laborers. Usually these are young and male. They may shift from city to city, as old contracts are completed and new ones initiated. In some instances work assignments in a particular city may continue over several years, as, for example, in construction activities at major universities. The number of such construction workers in China is considerable. In Guangzhou alone, it was estimated that as many as 30,000 to 40,000 individuals were living in the city under such contract arrangements.

Even more may be doing so in such places as Shenzhen, Foshan, and other urban places that are undergoing expansion. Indicating that reliance upon peasants as construction workers in cities is likely to increase is a recent statement by Xiao Tong, vice-minister of urban and rural construction and environmental protection. He reported that construction of new buildings in satellite towns and in industrial and mining areas will be undertaken mostly by rural collective teams on a contract basis.[19]

4. A fourth form of mobility exists that probably represents the most drastic adjustment of the system to changing conditions in rural areas. Despite the absorption of large proportions of the surplus rural labor in nonagricultural activities in rural areas, in commune-operated shops in the cities, or through commune contracts with unions for temporary workers, many peasants are evidently without work. On their own, they have decided to engage in service or sales work in other rural or urban places. Some are domestics or engaged in child care; some sell their services as carpenters or mattress makers, for example. Still others may become itinerant merchants. While away from their official village of residence, they live with relatives, friends, employers, and sometimes even in small hotels. Most frequently, they seem to engage in the kinds of activities that allow them to obtain housing, jobs, or grain and oil rations without having to obtain a household register in their new location. A domestic, for example, can live with her employer and draw upon her employer's grain and oil rations, while holding a job clearly not assigned by the government. A carpenter can do the same, taking advantage of the housing and food provided as part of the return for his services as he moves about from one assignment to another.

Unfortunately, no body of statistics is readily available to document the volume and characteristics of these various

18. "New Jobs from Shrinking Farmland," *China Daily*, 2 Mar. 1983.

19. "Peasant Builders to Take on Bigger Role," *China Daily*, 10 Mar. 1983.

types of temporary movement. This difficulty reflects the nature of the registration system. Although a permanent, legal transfer of household registration is carefully controlled and documented, temporary movement is not. Temporary residents can easily obtain temporary registration from the Public Security Station if they are living with relatives or friends. Residence in a hotel or in union facilities requires no temporary registration at all. Temporary residents involved in free markets are registered with the Industrial and Commercial Bureau. The net result is a complex system of registration that does not lend itself to centralized statistics or at least to their ready availability.

This deficiency is recognized, not only by researchers, but also by city planners. They perceive the growing importance of temporary movement to cities and the demand it is creating for and on hotels, restaurants, recreation facilities and parks, transportation, and sanitary and health facilities. City planners are frustrated at not being able to ascertain the volume and character of such movement so as to take better account of it in planning. An estimate for Chengdu City, for example, suggests that as many as 50,000 persons may be temporarily residing in the city, exclusive of daily commuters. This is probably a minimal figure since it is based only on records kept in neighborhoods and hotels. It also does not indicate the length of stay, the amount of turnover, or the purpose of the sojourn.

Another estimate suggests that as many as 1 million persons are entering or leaving the inner city daily as commuters. These consist of factory workers and staff, junior and senior school students, and peasants. Still another survey, conducted by the Labor Force Department of Chengdu, shows that 40,000 peasants commute daily to temporary work in the city, other than the free market. Of these, 10,000 are approved by the municipal government for temporary construction or porterage work with unions. The other 30,000 are not officially approved and are engaged primarily as private workers in such jobs as carpenters, domestic servants, and nurses.

This evidence of heavy temporary migration is also indicated by a case study of a nearby commune in which 10 percent of the 10,000-person labor force has jobs in the city. Of the 1000, about 600 are in construction work contracted by the commune; 100 serve as porters; and 300 are engaged privately.

If anything, these data suggest that the overall estimate of 40,000 peasant temporary migrants for the city may be too low. Although only estimates, these data nonetheless support the conclusion that mobility in its various forms and especially temporary movement play a key role in the demographic and economic dynamics in China.

Clearly, temporary migration has become a major mechanism by which rural areas cope with their surplus labor and with the challenges introduced by the responsibility system for raising the quality of rural life. From the point of view of the rural area, such migration allows the surplus labor to engage in productive activity and not become a liability to the brigade or the commune. By going to the city or to another rural area to earn income, the individual is able to contribute to the support of agricultural development through remittances used by the brigade for purchase of machinery, fertilizer, and other items. At the same time, since such individuals usually go to the city only if they know

they can find employment, they are not seen as putting pressure on urban facilities, but rather as providing a desirable function. All these temporary urban dwellers, as well as the rural labor force engaged in nonagricultural work, are thus considered to be contributing to the modernization of the countryside, forging links between the countryside and the city, and integrating farming, industry, and service activities.

"LEAVE THE LAND BUT NOT THE VILLAGE"

As much of the foregoing discussion has made clear, one of the functions of the responsibility system is to provide the mechanism whereby surplus rural labor can turn to nonagricultural activities while still largely maintaining a rural base. This is being achieved by encouragement of a more diversified economy, including the development of forestry, animal husbandry, sideline occupations, and fisheries; establishment of joint enterprises combining agriculture, industry, and commerce; and establishment of service trades and cultural and educational facilities in rural areas and commune seats. Closely tied to these changes, the responsibility system has also stimulated considerable temporary movement, some over great distances, from rural to urban places. This circulation has provided still another mechanism for absorbing surplus labor, for transferring capital from urban to rural places, and for satisfying the desires of many peasants to participate in urban life.

Such temporary movement and the expected job opportunities to be provided by rural-based industry and sideline activities in small towns should serve to prevent the surplus rural labor force from flooding into the large cities on a permanent basis. Such development is thus regarded as a way of avoiding the experiences of other developing countries, which have been characterized as having led to the mass movement of population into big cities and to the transfer of rural poverty to urban places. In contrast, the Chinese argue that their new agricultural policy and the responsibility system provide the best approach to raising the income level of the rural population, to creating more job opportunities for the anticipated massive increase in surplus rural labor, and to fostering the eventual concentration of commodity production and specialized activities in selected rural areas that have the potential of becoming small urban centers.

The success of all such efforts in the longer run depends on the success of the family-planning program, for unless the large number of young people now entering the work force—about 20 million annually—is reduced substantially, the ability of the economy to absorb the surplus labor created by modernization and by mechanization of agriculture will be seriously threatened. The one-child family policy is designed in part to meet this threat. Even if the policy is successful, about 10 million people will be added to the population each year until the year 2000.

Yet, in spite of greater rural income resulting from the responsibility system and in spite of controls on urban growth, the attractions of the cities remain strong, especially in areas other than those surrounding such major centers as Guangzhou, Shanghai, Chengdu, and Beijing, where opportunities have flourished and where many rural residents report themselves as happy to stay in rural areas. In more remote and poorer

areas, the turnabout in attitude has not taken place and is not likely to do so until the standards of living are raised substantially and the urban-rural differentials reduced much more. The complexity of the linkages between fertility, migration, and urban growth is perhaps best illustrated by the story told of a family-planning worker who asked a peasant couple, "If you could have anything you want in return for having only one child, what would it be?" The response came quickly: "If you guarantee we can change our registration to the city, we'll have only one child."

* * *

QUESTIONS AND ANSWERS

Q (Dario Scuka, Library of Congress, Washington, D.C.): What is the impact of the loss of farmland as urbanization expands and small towns are created? And what is the source of capital formation for this new infrastructure in the absence of a credit economy?

A (S. Goldstein): The loss of farmland is a serious problem that the Chinese are concerned about. As you may know, in the case of big cities in particular, they have adopted a procedure to try to control farmland loss. The procedure is to incorporate a number of the rural counties into a municipality in order to ensure that the city proper has enough farmland surrounding it to provide it with its daily needs for produce and to ensure that factories, housing, and the like do not take over too much rural farmland. I am not aware of the particular devices that the small towns themselves are using. I suspect it is not a problem that Chinese officials have yet faced because they simply do not yet see the small towns as taking over that much farmland. In part they envision a large number of the individuals whose economic activities are in those places to continue to live in the rural locations.

With respect to the capital, while there are some loans that will be available, it is assumed that to a great extent most of the capital will in fact be generated by the rural population, by the communes. Through a process of remittances and sales, the commune will then have the surplus income to develop the infrastructure of the small towns themselves; loans will be available from larger governmental units only where such assistance is essential.

Q (Joan Gregg, New York City Technical College): It is my impression that, since the Chinese are very attached to their children, an only child has more of an option to remain with his or her family than does a child with siblings. Where a family has more than one child, all the children except for one will be sent to other places. Do you think that if each family is only going to have one child that the government will take this into account in redistributing the population, that is to say, that the government will take more care to keep that one child within the district where the parents live? Or do you think that the government will continue to shift populations, irrespective of the parents' being bereft of all children?

A (S. Goldstein): I do not see how the government can introduce that policy because the idea, if it works, is for most

of these families in fact to have only one child. In theory there should not be many families with two, three, or four children. Adoption of the policy you advocate would mean that every child would be allowed to stay at home or in the same location. That would make it very, very difficult to carry out the other kinds of economic planning that require that, once individuals receive certain kinds of education, the state then has the right to assign them to jobs in other locations. So to my knowledge, subject to correction, there is no plan to give priority of the kind you suggest. However, this may change 10 or 20 years from now when these children are entering the labor force and when parents are aging.

COMMENT (Cho): If China wants to accomplish the stabilizing of its population at 1.2 billion by the end of the century, something like 85-95 percent of the couples would have to have one child. Therefore, if a non-relocation policy is introduced 90 percent of the people would be confined to their localities; such confinement would not be practical.

Q (James Schulz, Brandeis University, Waltham, Massachusetts, and Gerontological Society of America): The migration question, the one-child family policy, and the inability to prevent or the need to allow the one child to move away from the parents raise a general question: how will parents be supported in their old age?

A (Cho): My understanding is that China is a socialist country, and therefore elderly people are taken care of. I am referring to the system of five guarantees for all households, through the collectives, of food, housing, clothing, medical care, and funeral arrangements. The impact of the new responsibility system on the system of five guarantees has yet to be assessed. The elderly are taken care of at a certain subsistence level; they will not be spending their retirement in luxury. The one-child policy is implemented in the context of the government's provision of subsistence-level care for the elderly. The situation, of course, is different in countries like Korea and Taiwan, where I would say that at this point a good majority of the elderly are dependent upon their children. I think that dependence on children would be much less in China as it is a socialist regime.

COMMENT (S. Goldstein): This is not my area of expertise, but I think in the urban labor force, individuals are entitled to pensions when they retire. The pensions amount, if I remember correctly, to something like 75 percent of their wages. The pensions are one of the attractions of urban places. In the rural areas there is no such pension system, as far as I know. It is up to either the children or the commune to take care of older individuals. Such care is actually a provision of the Chinese constitution, so that if children do not care for their parents, they could literally be punished.

COMMENT (Philip Olson, University of Missouri, Kansas City): According to information I received when I was in China in the fall of 1983, there are now a number of communes that have introduced a pension system. Those communes are mostly in the metropolitan areas, not in the outlying rural areas, but there is now a pension system in the more well-to-do communes.

Q: Do you have the impression that the control over temporary migration is

completely in the hands of individual urban authorities? Do you know what the central government is doing about that, if anything?

A (S. Goldstein): One of my biggest surprises when I was working in China was the amount of local variation. I went there expecting homogeneity in policy across the country. While there is a certain abstract homogeneity, when it comes to implementation there is tremendous variation. In virtually every community where we conducted research, policy was implemented slightly differently. Depending on how much pressure the communities were under, some worked under the law of averages, some on a person-by-person basis, while all of them tried to adhere to the general formulation.

My general impression is that at the moment temporary migration itself is not very extensively controlled because leaders are trying to feel their way. They realize they have to allow a considerable amount of temporary migration if the responsibility system and the different ways of handling the problems of surplus labor are to be at all successful. Nationally, because they have not collected much data on temporary migration, they really do not know how much of it is occurring. One of the purposes of my next trip to China is to provide training in how to do research on this topic, because they finally have decided that they have to learn something about it if they are going to have a policy on it.

At the moment I do not think temporary migration is a serious problem and I do not think the national authorities are very much worried about it. To some extent I think they see it as a form of experimentation. In talking to a few government officials I was told that China hopes, as the population pressure decreases and as economic conditions improve, to be able to relax some of its current restrictions on permanent migration. The Chinese see temporary migration as a way of experimenting to see what would happen if permanent migration were less restricted. If temporary migration works, they might let it continue. If not, they may impose stricter controls on it. In theory they have a way of controlling it; in practice they do not seem to do so to a great extent.

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Population Dynamics and Policy in the People's Republic of China

By LEE-JAY CHO

ABSTRACT: This article reviews recent changes in population policy and demographic trends in the People's Republic of China. Recently available estimates of birth and death rates for the last several decades are examined in the context of political events and disruptions in China. China heralds the world's most comprehensive and perhaps most effective birth control program, aimed at stabilizing the Chinese population at 1.2 billion by the turn of the century, and has made remarkable progress in controlling population growth during the last decade. The dramatic fertility decline in recent years is analyzed and compared with the trends in Japan, Korea, and Taiwan. The extent of China's fertility decline is found to be unequaled anywhere in the world. A potential conflict between promotion of agricultural production by individual families through the new responsibility system and the birth control policy is also discussed.

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ALTHOUGH China's population constitutes almost one-quarter of the world's total, until recently little was known about it. From the outside, it was difficult to assess either the size of the population or growth trends. Moreover, because of political upheavals, including the Cultural Revolution, it was difficult to conduct population research within China.

In the last few years we have witnessed dramatic changes in the collection of Chinese population information. In light of such statements as Deng Xiaoping's on the "deplorable absence of annual series of statistical data, and the need for real social science research," [1] the changes are understandable. A census was conducted in 1982, the first since 1964; it was followed several months later by the National Fertility Survey, covering one in a thousand households. Furthermore, the Chinese government restructured its administrative organizations to allow for development of better population policies and programs. In consequence, demand for population data and their scientific analysis has increased greatly.

The 1982 census counted a population of 1.008 billion in mainland China. This is almost double the 1949 figure of 542 million. There appear to have been three major waves of population growth during the last 30 years. Between 1950 and 1959 the average annual absolute number of births was around 20 million, and from 1962 to 1970 the annual figure was 26 million. With the massive implementation of planned birth programs in 1971, average annual births showed a moderate decline to about 20 million and were further reduced to 18 million during the years 1976-81. The annual average growth rate slowed from 2.6 percent in 1970 to 1.5 percent in 1982; this decline is especially dramatic when translated into absolute numbers.[2]

Since 1949, when the People's Republic of China (PRC) categorically denied the existence of any population problems, China has shifted its position on population policy; it has now emerged as the nation with the world's most comprehensive and perhaps most effective birth contol program. Its leadership is committed to stabilizing the population growth rate in the shortest possible time. There appears to be a consensus among outside observers that the PRC has made remarkable progress in reducing its population growth rate during the last decade.[3] This conclusion is confirmed by the results of the 1982 census and the National Fertility Survey.[4]

1. Deng Xiaoping, *Selected Writings* (Beijing: People's Publishing, 1983), p. 167.

2. *Quanguo qian fen zhiyi renkou shengyulü zhouyang diaucha fenxi* [China 1982 National Fertility Survey] (Beijing: State Family Planning Commission, 1983).

3. Pi-chao Chen, *Rural Health and Birth Planning in China* (Research Triangle Park, NC: International Fertility Research Program, 1981); Ansley J. Coale, "Population Trends, Population Policy, and Population Studies in China," *Population and Development Review*, 7(1):85-97 (Mar. 1981); John S. Aird, "Population Studies and Population Policy in China," *Population and Development Review*, 8(2):267-98 (June 1982); Tuan Chi-hsien, "China's Population in Perspective," in *China among the Nations of the Pacific*, ed. Harrison Brown (Boulder, CO: Westview Press, 1982), pp. 69-83.

4. The sampling ratio for the survey was one one-thousandth and the sampling unit was a street committee in the urban areas and a production brigade in the rural areas. The survey, which interviewed 310,485 units—there were only 23 refusals—employed the address list of the 1982 census to conduct face-to-face interviews on basic household questions and birth histories of women of childbearing ages.

REVIEW OF PRC POPULATION POLICY

It is useful to look at China's birth control policy for two broad periods, 1956-70 and 1971-83. In the mid-1950s the PRC was officially committed to a policy promoting birth control, but only after the Cultural Revolution ended in 1976 did a fundamental change take place in the leadership's perception and hence in birth control policy and its implementation. At that point the issue of overpopulation began to assume significance for modernization and development policy. In the absence of clear, long-range guidelines, birth control policy between 1956 and 1970 shifted between leftist and rightist lines, reflecting the continuing political and ideological struggles over the issue of population control. But the last decade has witnessed the emergence of a stronger policy and a more unified and gradually intensifying fertility control campaign. These developments were discernible in 1976, especially after Chairman Mao's death and fall of the Gang of Four.

The early period

Chairman Mao's famous statement in 1949—that people are the most precious of all things—was to become the principal premise of all subsequent statements on the population question in China.[5] Mao simply rejected the notion that population posed any problem in the Malthusian sense; and to the extent it was recognized that China had a problem, Mao sought the solution in the ideology of revolution plus production. Mao's uncritical reliance on Marx and, perhaps, his ignorance of fundamental demographic laws inhibited the planners and policymakers in Beijing in the early years of the Communist regime from realistically raising the issues of population growth and birth control.[6]

The PRC embarked on its First Five-Year Plan in 1953. The government was alarmed by the result of the 1953 census, which revealed that the population was growing at a rate of well over 2 percent per annum. Consequently, it quietly began to take measures to promote birth planning and relaxed restrictions on induced abortion. By 1956, birth control as a national policy seems to have been firmly established. It became clear that in the controversy over an official position on birth control the view of such moderates as Zhou Enlai had prevailed.[7] In 1957 Mao made his well-known antinatalistic statement that the human race in its procreation had been in a state of total anarchy and had failed to exercise control.

China's first active birth control campaign in the 1950s turned out to be short lived, however. Mao's Great Leap Forward, first heralded in late 1957, essentially relied on a large-scale rural labor force to achieve capital construction. Again the leftist view of accepting China's population as an asset rather than a liability gained prominance during 1958.

The failure of the Great Leap Forward and subsequent natural disasters in China created one of the country's

5. See, for example, Chen Pi-chao, "The Politics of Population in Communist China: A Case Study of Birth Control Policy" (Ph.D. diss., Princeton University, 1966); Tien H. Yuan, *China's Population Struggle: Demographic Decision of the People's Republic of China* (Columbus: Ohio State University Press, 1973).

6. Liu Zheng et al., *China's Population: Problems and Prospects* (Beijing: New World Press, 1981).

7. Chen, "Politics of Population in Communist China."

worst economic crises, and between 1958 and 1962 the birth control campaign, for all practical purposes, came to a standstill.

As part of the government's effort to recover from the economic disaster, in the early 1960s China resumed its campaign to promote birth control. Restrictions on induced abortion and surgical sterilization were lifted, and the production and supply of contraceptives were increased.

The Birth Planning Office of the State Council was established in 1964. Corresponding functions in the provincial and autonomous regions provided a basis for the organization and large-scale implementation of birth control policy. However, this second birth control effort, which appeared to have some impact, was abandoned also, in 1966, this time because of the Cultural Revolution. Although the campaign was not officially called off, there was virtually no progress in birth planning in China over the next four years.

As political order was gradually restored in the late 1960s, the birth control policy was slowly resumed. After two decades of vacillation and hesitation, China accepted its demographic realities in 1970 and finally cleared the way for what has come to be regarded as the world's most effective population policy and program.

Birth control policy since 1971

As Chairman Mao gradually withdrew from the active political scene, Zhou Enlai and his moderate supporters began in the early 1970s to push steadily toward modernization. Since then, China's birth control policy and program have been more consistent and vigorous. The objectives of the policy have become clearer and more specific. The program has been diversified and strengthened. There is clearly a new commitment on the part of China's leadership to economic modernization and development, which can be seen as part of the government's decision to redirect national priorities after the ravages of the Cultural Revolution. That commitment has emerged despite the cost of some modification in the Communist ideology.

After Chairman Mao's death in 1976 and the subsequent fall of the Gang of Four, the modernization of agriculture, defense, industry, and science and technology—called the four modernizations—became China's task of highest priority. That leadership regarded the solution of the population problem as an essential part of the modernization effort is reflected in the 1978 and 1982 PRC constitutions. Chairman Hu Yaobang stated in his report to the Twelfth Party Congress: "In the economic and social development of our nation, the population problem is the most important problem. The implementation of the family planning program is one of the basic national policies." [8]

The great emphasis placed on family planning has been translated into a massive communication campaign directed at the Chinese people. From remote villages to large cities, family planning messages are ubiquitous—on large billboards, on television, and in scholarly journals.

Over the past decade there has been a shift in the rationale for family planning. At one time emphasis was on the

8. Xu Dixin, "On the Relationship between Population Growth and Economic Development," in *Renkou yenjiu* [Population research], People's University of China, Institute of Population, no. 2 (Beijing: China Publications Center, 1983).

welfare of mothers and children. Now it is on improving the standard of living for the masses, providing employment for the rapidly increasing labor force, raising per capita gross national product, increasing per capita arable land and productivity, and improving housing and sanitary conditions.

It is to be emphasized that the PRC distinguishes its efforts to reduce the population growth rate from any form of Malthusianism. Justification of the birth control policy is officially regarded as being consistent with Marxist principles. This view has been stated by Xu Dixin:

> "Our objective in the implementation of the family planning program is to bring about an appropriate relationship between population growth and socialist economic development; and also under the socialist system, we must plan human reproduction just as we plan material production." [9]

Significant changes have occurred in the Chinese population control program. Since the 1970s the government has actively promoted three reproductive norms as the basic guidelines for family planning. These norms are implicit in the campaign slogan Late, Sparse, and Few, which refers to the timing of marriage, spacing of births, and number of children, respectively. In the cities men are urged to delay marriage until age 28 and women, until 25; in rural areas the suggested ages are 25 and 23, respectively. Although the first child may be planned immediately after marriage, couples are encouraged to increase the interval between births to four or more years. Before 1978, the party slogan was One Is Not Small, Two Just Right But Three Too Many, referring to the number of children in a family. In 1978 this was changed to One Is Best, Two the Maximum.[10]

When the growth implications of even these target numbers were understood, in 1979 the Chinese government launched its drastic and ambitious policy of the one-child family.[11] The stated goal of the one-child policy is to stabilize China's population size at 1.2 billion by the year 2000. The objective presents a great challenge. As Vice-Premier and head of the State Family Commission Chen Muhua remarked in 1979, "Only if 95 percent of the couples of reproductive age in urban areas and 90 percent in rural villages give birth to only one child will the total population of our country be controlled at 1.2 billion by the end of this century." [12]

Since 1980 the one-child family policy has been given impetus by various economic incentives and disincentives. Provincial authorities have considerable discretion in implementing the policy, and some of them are already offering—and withholding—such economic rewards as free education, free medical care, extra food rations, monthly bonuses, and preferential job assignments.[13] But apparently there is still no consensus on how the one-child policy should be implemented.

9. Ibid., p. 5.

10. Yang Deqing, ed., *Renkouxue gailun* [General discussion of population theory] (Beijing: Hebei People's Publishing, 1982), p. 148.

11. Chen Muhua, "Birth Planning in China," in *Research on the Population in China: Proceedings of a Workshop*, ed. Robert J. Lapham and Rodolfo A. Bulatao (Washington, DC: National Academy Press, 1981).

12. Ibid.

13. Fifth Shanxi Provincial People's Congress, 29 June 1982; Wang Pingshan in *Nanfang ribao* [Southern daily], 15 May 1983; see translations in "On Province-level Fertility Policy in China," *Population and Development Review*, 9(3):553-61 (Sept. 1983).

The post-Mao leadership has made a special effort to institutionalize pragmatic approaches in carrying out its modernization. One such approach was the introduction in 1979 of what is called the responsibility system, designed to increase agricultural production. Under this system Chinese farmers are obligated to turn in a certain portion of their production to the government but are allowed to keep for themselves anything above that quota. In effect this is a micro-level capitalistic incentive system. There may be a conflict between the responsibility system and the government's efforts to reduce fertility.[14] Because of the low level of agricultural technology, the productive value of children may increase if the system gives farmers an incentive to produce larger crops. Already there appear to be signs of an upturn in fertility in the rural areas.

Coercion or persuasion?

Since 1949 the Chinese political system has enabled the party and the government to penetrate deeply into Chinese society, right down to the residential districts and villages. The regime has been highly successful in imposing social discipline while mobilizing the population for national purposes. According to Chen Pi-chao and Tuan Chi-hsien,[15] among others, the success of population control policies among China's predominantly rural population is largely due to the government's capacity to mobilize, educate, and motivate the masses through its organizational network. China's birth control program is unique, combining a mass-oriented national campaign with the most intimate and personal approach. Thus it is difficult to distinguish persuasion from coercion in the Chinese population program.

The responsibility system

As already mentioned, the responsibility system, introduced to increase agricultural production, may have demographic consequences. There appear to be two possibly conflicting sources of incentives and benefits pertaining to childbearing, especially in rural areas.

On the one hand, the family planning policy may be translated into material and other benefits that the government can provide to individual families for having only one child or two at the most. This approach will work when all rural families constitute a collective production system in which each family is given equal average compensation for its labor; but under these circumstances there must be strict monitoring of fertility behavior, with strong punitive sanctions for obvious departure from the prescribed norm. This has likely been the case in rural China.

On the other hand, under the responsibility system there is a strong incentive for individual families to work harder to increase their own incomes beyond the average based on the membership of the collective unit. Chinese farms are not yet modernized and mechanized, and it may be years before adequate labor-saving technology is introduced to raise agricultural productivity. Hence individual families require working bodies to generate the desired extra production and to

14. "On Province-level Fertility Policy in China."

15. Pi-chao Chen, *Population and Health Policy in the People's Republic of China,* Smithsonian Institution, Interdisciplinary Communications Program, Occasional Monograph Series, no. 9 (Washington, DC: Smithsonian Institution, 1976); idem, *Rural Health and Birth Planning in China;* Tuan, "China's Population in Perspective."

earn extra income by engaging in agricultural production marginal to the principal collective work. Although a large collective can purchase and employ labor-saving technology and equipment, individual families cannot. Thus value may be put on having larger families in anticipation of earning greater income later.

Furthermore, there is a cultural bias favoring male offspring and large families. Especially in the rural areas these two preferences are likely to reinforce each other to raise fertility or at least to make it difficult to reduce fertility further. What seems to be emerging in rural China is a conflict between individual family economic production and fertility control.

As the responsibility system and decentralization of decision making become successful in increasing agricultural production and thus raising rural farm income in China, whether or not the functions of the collectives will continue as in the past is an important question. Farmers operating outside the collective farms in the communes may end up earning more and consequently may become reluctant participants in collective agricultural production. Because of the smaller income from the collective, the collective's functions may not be perceived as in the past, when it was the principal source of individual livelihood. Consequently, implementation of the birth control program through the collectives may weaken the program and result in less compliance by farmers with the government's one-child policy.

What will be done to resolve this conflict? The Chinese government can be expected to strengthen the family planning program further in some ways so that higher fertility for individual families would be more costly both economically and otherwise.

There is another demographic implication of the responsibility system. Fairly significant inequalities in income and revenues exist in China today. Although the incomes presented in Table 1 are based on incomplete data, they nonetheless provide compelling evidence of income inequality.

Personal income levels appear to differ substantially between cities and rural areas. Shanghai shows the highest personal income. According to official income data, there are significant variations in the levels of income among different provinces. Anhui Province had an income level in 1979 equivalent to $48 U.S. while Beijing suburban communes had $238. Due to the difficulty of obtaining accurate data on personal and household income in China and due also to definitional problems, the data shown in Table 1 may not accurately indicate the differences in the quality of life that are associated with differential income in the market economy countries. Nonetheless, income differences in China are remarkable and are likely to have interesting demographic implications.

In some ways economic inequality is an ideological contradiction that needs to be overcome in a socialist system. If one accepts that per capita output is higher in cities than in rural areas, then urbanization is a positive force for economic growth and modernization. It has often been suggested that a period of inequality is inevitable in the early stages of modernization. The introduction of the responsibility system, designed to encourage production incentives and decentralization of decision making, has led to a rapid increase in farm production and has helped to absorb the under-

TABLE 1
PERSONAL AND OFFICIAL INCOME IN CHINA, 1979

Location	Yuan	Dollar Equivalent
Personal income*		
Shanghai City	2783	1800
Beijing City	1546	1000
Tianjin	1546	1000
Official income†		
Beijing suburban communes	368	238
Shanghai suburban communes	260	168
Suburban commune national average	300	194
Hubei Province	200	129
Shenyang Municipality, Liaoning Province	147	95
Zhejiang Province	120	77
Heilongjiang Province	110	71
Henan Province	109	70
Shanxi Province	104	67
Liaoning	100	65
Tibet Autonomous Region	100	66
Jiangsu Province	95	63
Sichuan Province	80	52
Guangdong Province	78	50
Anhui Province	75	48
Qinghai Province		
Low estimate	70	45
High estimate	150	97
Gansu Province		
Low estimate	70	45
High estimate	162	105
Xinjiang		
Low estimate	66	43
High estimate	107	69
National average	102	66

SOURCE: Clifton Pannell, "Urbanization and Economic Development in Mainland China" (Paper delivered at the Conference on Urban Growth and Economic Development in the Pacific Region, Institute of Economics, Academia Sinica, Taipei, 9-11 Jan. 1984), p. 24.

*Annual per capital income from sideline production.

†Annual per capita income that is derived from collective labor. Excludes income earned from household sideline production, which was reported as ¥53.0 ($38.60) per household in 1979.

employed in both rural and urban areas. In cities the service sectors have increased and small-scale family enterprises have sprung up. Consequently, there is likely to be increased movement of people from rural to urban places. Thus an increase in per capita agricultural output would contribute to a higher level of urbanization throughout China.

POPULATION CHANGE AND DYNAMICS

Because of a recent dramatic decline in the population growth rate, the third and most recent wave of population growth was substantially smaller than the second and largest wave, which produced an average annual increment of

some 26 million. The major part of population growth in the last 30 years has been due to the change in the birth and death rates.

Figure 1 shows the birth rate in terms of the total fertility rate (TFR)—defined as the number of births a woman would have during her childbearing age, given the current birth rate—from 1940 to 1981 and the crude death rate from 1950 to 1982. These trends are interesting in light of their major fluctuations.

The death rate showed a rapid decline from 1950 to 1957; then for the next several years, during the period of political upheaval known as the Great Leap Forward, it more than doubled. Since 1962 it has gradually diminished, leveling off at 6.6 in 1982. The death rate presented here is based on death registration statistics and is subject to some underregistration; when adjusted, the level would change somewhat but the trend would remain the same. The decline in China's death rate over the last 20 years is fairly typical of Asian developing countries. Similar declines have been observed in South Korea, Taiwan, and Malaysia.

Between 1957 and 1962 there was a dramatic dip in the birth rate, coinciding with the Great Leap Forward. Major disruptions took place at this time when, for example, 70 million young people, mostly men, were pulled out of their villages to work in steel mills, mines, and large-scale capital construction projects. The resulting separation of families must have contributed to the drop in fertility. Moreover, soon after the movement began, there was a major crop failure, which led to some starvation.

In 1961 the TFR reached its lowest level—3.3 births per woman—but by 1963 it had risen to an all-time high of 7.5. This is an interesting phenomenon because it demonstrates that birth rates can be reduced to unusually low levels and then immediately bounce back when conditions change. By 1962 the Great Leap Forward had, for all practical purposes, come to a standstill.

From 1964 to 1968 there was another prominent dip in the birth rate, the lowest level occurring in 1967. This dip coincided with the height of the Cultural Revolution, during which there was great social and political upheaval in China, particularly in the urban areas. The correlation of the disruption with a drop in urban fertility can be seen clearly in Figure 1.

In addition to the two major fluctuations in the birth rate, we find minor zigzags prior to 1955. The first drop, occurring between 1945 and 1950, coincides with the Civil War; the next, around 1950, coincides with the collectivization of farm communities in China.

Changes in the birth rate appear to coincide with political events and disruptions. Whether this correlation is spurious or whether there is a genuinely causal relationship between the two phenomena is a difficult empirical question to answer in the absence of adequate data. The ways in which political events in China might cause fertility change should certainly be investigated.

The fertility rate consistently and dramatically declined after 1970 until around 1980, when it increased to a minor extent in both rural and urban areas. The slight increase in the TFR in 1981 may be due partly to a marriage boom resulting from the new marriage law of 1980, which reduced the minimum marriage ages from 23 to 20 for women and from 25 to 22 for men. People who would have postponed their marriages are now marrying and having children. Even if individual fertility remained low, the marriage boom would

contribute to an increase in the number of births. The rise in TFR may also be due to the new responsibility system.

The dramatic fertility reduction in the last decade is largely attributable to a strong birth control policy. China's birth rate reduction has not been equaled elsewhere in the world. There is, of course, the case of Japan's rapid fertility transition, during which the birth rate declined from 34 to 17 births per thousand in the 12 years beginning in 1955. The Japanese birth rate soared to its highest level shortly after World War II, but abortion and birth control were easily accepted by the largely well-educated, urban population of Japan. In China, however, most people reside in villages, have a relatively low level of education, and therefore are less receptive to fertility control.

We are able to attribute the decline in the Chinese birth rate since 1964 to three kinds of changes: (1) in the age structure; (2) in age at marriage and in marital structure, which is the proportion of married women to the total population by age group; and (3) in the fertility level of married women.

Table 2 presents results of the analysis of change in the crude birth rate for China over the years 1964, 1972, and 1981. Between 1964 and 1981 the birth rate declined by almost half—49 percent—from 42.2 to 20.6. Of this decline, about 17 percent was due to the increased age at marriage, which led to postponement of childbearing. More than two-thirds of the fertility decline was due to a reduction in marital fertility; that is, married women were practicing contraception and so were having fewer children. An official study conducted in China in 1983 found that, among the 170 million women of childbearing age, 70 percent were practicing birth control. Of that group, 50 percent were using intrauterine devices (IUDs), 35 percent—male or female—had accepted sterilization, 8 percent were using pills, and a negligible proportion was using condoms.[16]

In contrast, the changing age structure of the population produced more women of childbearing age and hence tended to increase fertility, but it was responsible for only about 14 percent of the change in the crude birth rate. In other words, 86 percent of the factors affecting the birth rate worked to lower it, whereas 14 percent worked to increase it. The strong birth control program, together with the policy to raise the age at marriage, effectively operated to reduce the birth rate to the lower level.

In the nine years between 1972 and 1981 the crude birth rate declined by 40 percent, from 34.5 to 20.6. What is interesting in China's fertility trends is the tendency for fertility levels to decline to a low point and then to rise somewhat. Political events, disruptions, and policy action may bring about a lowering of the birth rate, but unless people at large accept the low level as the norm, the birth rate will rise again to whatever level is consonant with popular norms.

The trend of the rural fertility decline shown in Figure 1 corresponds roughly to the trend for the total population because 80 percent of the Chinese population still lives in rural areas. During the 17-year period from 1964 to 1981, the rural birth rate declined by nearly

16. Japanese Organization for International Cooperation in Family Planning, *World and Population*, JOICFP pub. no. 9 (Tokyo: JOICFP, 1983).

TABLE 2

PERCENTAGE OF CHANGE IN CHINA'S CRUDE BIRTH RATE DUE TO SPECIFIED FACTORS: 1964, 1972, 1981

Period and Factor	Age Group 15-19	20-24	25-29	30-34	35-39	40-44	45-49	Ages 15-49†	
1964-81*									
Age structure	-4.0	-1.5	-14.2	-2.7	1.5	0.6	0.0	14.4	(-20.3)
Marital structure	12.9	9.8	0.6	0.1	0.0	0.0	0.0	16.6	(23.4)
Marital fertility	1.8	10.8	18.7	32.3	22.2	10.0	1.0	69.0	(96.8)
Total	10.6	19.1	5.1	29.6	23.8	10.7	1.0	100.0	(100.0)
				CBR declined 48.7 percent, from 40.2 to 20.6					
1972-81*									
Age structure	-1.4	-0.9	-8.8	-1.5	0.8	0.3	0.0	9.3	(-11.5)
Marital structure	7.5	14.2	2.0	0.1	0.0	0.0	0.0	19.3	(23.8)
Marital fertility	-0.5	1.9	19.8	34.7	22.0	9.1	0.8	71.3	(87.7)
Total	5.5	15.2	13.0	33.3	22.8	9.4	0.8	100.0	(100.0)
				CBR declined 40.3 percent, from 34.5 to 20.6					
1964-72									
Age structure	-8.9	-3.1	-30.0	-7.2	4.3	1.8	0.0	23.1	(-43.1)
Marital structure	22.9	-5.0	-3.0	-0.1	0.0	0.0	0.0	7.9	(14.8)
Marital fertility	9.3	37.0	18.7	27.8	21.9	12.0	1.6	68.9	(128.3)
Total	23.3	28.9	-14.3	20.5	26.3	13.8	1.5	100.0	(100.0)
				CBR declined 14.2 percent, from 40.2 to 34.5					

SOURCE: *Quanguo qian fen zhiyi renkou shengyulü zhouyang diaucha fenxi* [China 1982 National Fertility Survey] (Beijing: State Family Planning Commission, 1983), pp. 49-50.

*Due to the unavailability of age and marital distributions for 1981, 1981 rates were used with the 1982 age and marital distributions.

†Figures in parentheses are the sum of the actual percentages in each row. Due to rounding error the sum of the total percentages may not equal 100.0.

half, from 42.7 to 21.7, as shown in Table 3. A decrease in the fertility of married women was the cause of 56 percent of the reduction, and a rise in age at marriage accounted for about one-third of the reduction. Much of the fertility decline in rural areas occurred during the 1970s. For the most recent nine-year period, from 1972 to 1981, rural fertility declined by 43 percent, from 37.9 to 21.7. Of this decline, 70 percent was due to a reduction in marital fertility and about 27 percent was due to changes in marital status.

In urban areas the birth rate declined by 54 percent between 1964 and 1981. About three-quarters of the decline was due to a reduction in marital fertility and only a small proportion was due to changing age at marriage. Prior to 1964, rising age at marriage had already contributed to a substantial reduction of fertility in urban areas. Reduced marital fertility and increased age at marriage, combined with the changing age structure, had a fairly substantial effect on the urban fertility trend, an effect divided almost equally between the 1960s and the 1970s. During the period 1964-72 the birth rate declined by 34 percent, from 28.6 to 18.9, and during the period 1972-81 it declined by 30 percent, from 18.9 to 13.3. The impact of the Cultural Revolution (1966-76) on fertility appears to have been greater in urban than in rural areas.

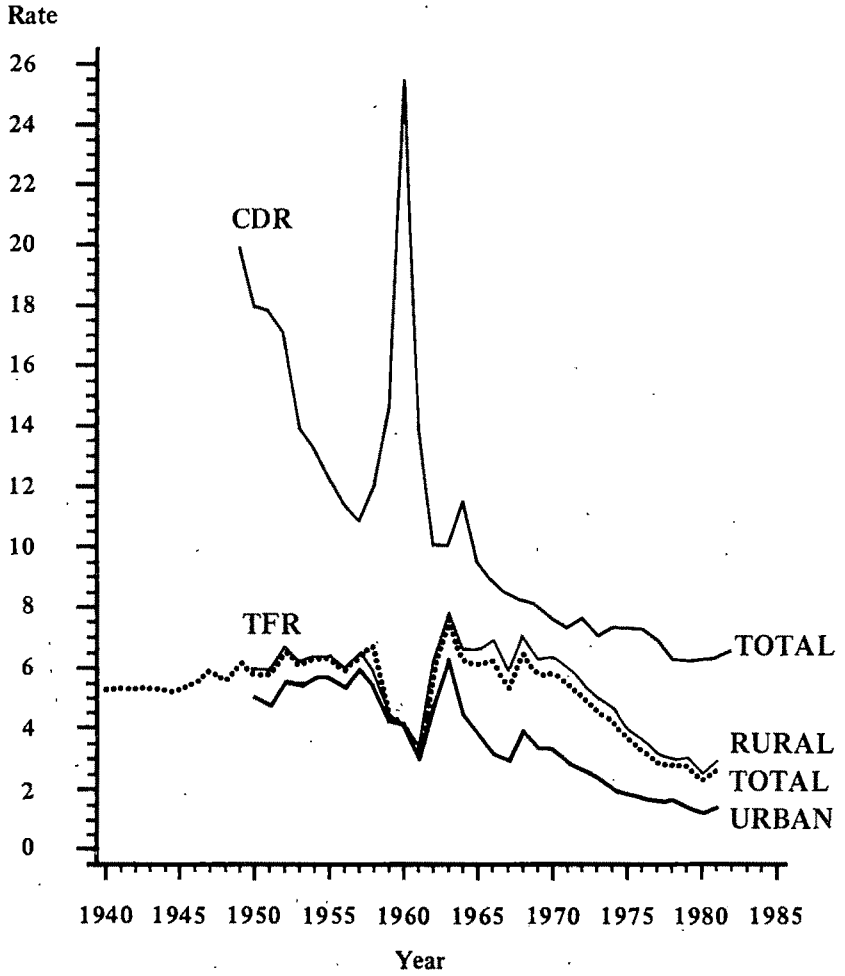
Comparison with Taiwan and Korea

It is instructive to compare the fertility decline in mainland China with that in Taiwan and in the Republic of Korea during comparable periods. As shown in Table 4, the crude birth rate in Taiwan declined by 40 percent, from 38.7 to 23.3, between 1960 and 1980. This decline occurred while mainland China's birth rate was declining by about 50 percent in the comparable but slightly shorter period of 17 years from 1964 to 1981. If one looks at only the 10-year period from 1970 to 1980, the birth rate in Taiwan fell by only 14 percent, whereas from 1960 to 1970 there had been a hefty decline of 30 percent. During the 1960s about 60 percent of the drop was due to lower marital fertility and about 25 percent was due to higher age at marriage. Thus although Taiwan experienced a rapid fertility decline in the 1960s, mainland China's decline was much more dramatic.

In Korea the birth rate declined by 49 percent over the 20-year period from 1960 to 1980 (Table 4). This decline was somewhat similar to mainland China's during roughly the same period. Almost two-thirds of the Korean decline was attributable to a reduction in marital fertility, and one-third was due to rising age at marriage. During the 1960s the Korean birth rate declined about 31 percent; half of the decline was due to reduction in marital fertility, about 36 percent was due to change in age at marriage, and 14 percent was due to changing age structure. In the 1970s the decline in the birth rate was less dramatic, only 18 percent. A further reduction in the marital fertility rate was responsible for about 62 percent of the decline, the changing age structure for about 21 percent, and rising age at marriage for only 17 percent. It is apparent that mainland China's fertility transition was more dramatic than either Korea's or Taiwan's, especially during the last 10-year period.

The birth-rate levels for the three populations are now roughly the same—

FIGURE 1
TOTAL FERTILITY RATES (TFR) AND CRUDE DEATH RATE (CDR) FOR CHINA, 1940-82



SOURCE: State Family Planning Commission, *Quanguo qian fen zhiyi renkou shengyulü zhouyang diaucha fenxi* [China 1982 National Fertility Survey] (Beijing: State Family Planning Commission, 1983), pp. 152-54.

NOTE: Rates are plotted on the same scale, but total fertility rates are rates per woman and crude death rates are rates per thousand.

21 for mainland China, 22 for Korea, and 23 for Taiwan. In the course of two decades, the three populations reached roughly similar, low levels of fertility. However, the manner in which the levels were reached was different in each case.

China, Taiwan, and Korea share a Chinese cultural background. To achieve their lower birth rates Taiwan and Korea have employed voluntary family-planning programs with strong government support. But rapid economic and

TABLE 3
PERCENTAGE OF CHANGE IN CHINA'S URBAN AND RURAL BIRTH RATES DUE TO SPECIFIED FACTORS: 1964, 1972, 1981

Area and Factor	Period		
	1964-81*	1972-81*	1964-72
Urban			
Birth rate decline	53.6 (28.6 to 13.3)	29.6 (18.9 to 13.3)	34.1 (28.6 to 18.9)
Due to age structure	21.9 (-39.1)	22.0 (-61.5)	13.2 (-18.0)
Due to marital structure	4.9 (8.8)	10.1 (-28.1)	28.3 (38.5)
Due to marital fertility	73.1 (130.3)	67.9 (189.5)	58.4 (79.4)
Rural			
Birth rate decline	49.2 (42.7 to 21.7)	42.7 (37.9 to 21.7)	11.3 (42.7 to 37.9)
Due to age structure	10.9 (-13.9)	3.1 (-3.3)	25.8 (-53.1)
Due to marital structure	33.2 (42.5)	26.8 (28.6)	40.7 (83.9)
Due to marital fertility	55.9 (71.5)	70.1 (74.7)	33.6 (69.2)

SOURCE: *Quanguo qian fen zhiyi renkou shengyulu zhouyang diaucha fenxi*, pp. 49-50.
NOTE: Figures in parentheses are actual percentages.
*Due to the unavailability of age and marital distributions for 1981, 1981 rates were used with the 1982 age and marital distributions.

social development and rapid urbanization were taking place in both Korea and Taiwan, whereas in China social and economic development and urbanization proceeded more slowly. It is amazing, therefore, that the Chinese population policy and program have been so effective in bringing down the birth rate—mostly through acceptance of contraception and abortion.[17]

Differential fertility

In the PRC differences in rural-urban residence, income, and educational attainment appear to be significantly correlated with differential fertility. A small fertility survey, for example, conducted in late 1981 in the Beijing metropolitan area, which includes a large rural community, revealed substantial urban-rural differences in fertility within the metropolitan area.[18] The average number of children ever born to women of age 41 in the rural community was 3.8, compared with 2.3 for the city area in 1981. Women with a university education had borne 1.7 children; those with a high school education, 2.0; and those with no formal education, 4.1. Among women 35 years old, those with at least a high school education had borne an average of 1.5 children, in contrast to 2.6 children for women with only an elementary education and 3.0 for women with no formal education. Women 41 years of age with a high family income had borne

17. The populations of China and Korea sanction abortion; Taiwan does not, but has not enforced its code against abortion.

18. The 1981 Beijing Fertility Survey was conducted by the Beijing Family Planning Commission and the Population Institute of the People's University of China; 8229 women were interviewed. Beijing Family Planning Commission and Institute of Population Theory Research of the People's University of China, "Dynamics of Women's Marriage and Fertility," in *Renkou yanjiu*, People's University of China, Institute of Population, no. 1 (Beijing: China Publications Center, 1983).

TABLE 4
PERCENTAGE OF CHANGE IN THE CRUDE BIRTH RATES DUE TO SPECIFIED FACTORS: TAIWAN AND KOREA, 1960, 1970, 1980

Population and Factor	Period		
	1960-80	1970-80	1960-70
Taiwan			
Birth rate decline	39.8 (38.7 to 23.3)	14.0 (27.1 to 23.3)	30.0 (38.7 to 27.1)
Due to age structure	21.7 (-38.3)	39.0 (-178.3)	13.4 (13.4)
Due to marital structure	28.2 (49.8)	24.9 (113.9)	25.1 (25.1)
Due to marital fertility	50.1 (88.6)	36.0 (164.4)	61.5 (61.5)
Korea			
Birth rate decline	48.7 (43.1 to 22.1)	25.3 (29.6 to 22.1)	31.3 (43.1 to 29.6)
Due to age structure	6.4 (-7.3)	21.4 (-37.4)	14.7 (14.7)
Due to marital structure	31.5 (36.1)	16.5 (28.9)	36.0 (36.0)
Due to marital fertility	62.1 (71.2)	62.1 (108.6)	49.3 (49.3)

SOURCES: Republic of China (Taiwan), *1970 Taiwan Demographic Fact Book* (Taipei: Ministry of the Interior, 1971), pp. 4-5, 16-17, 20-21; idem, *1981 Taiwan-Fukien Demographic Fact Book* (Taipei: Ministry of the Interior, 1982), pp. 958-61; Lee-Jay Cho, Fred Arnold, and T. H. Kwon, *The Determinants of Fertility in the Republic of Korea* (Washington, DC: National Academy Press, 1982), pp. 38, 77; Republic of Korea, *1960 Population and Housing Census of Korea* (Seoul: Economic Planning Board, 1963), 1:76, 99; idem, *1970 Population and Housing Census Report* (Seoul: Economic Planning Board, 1972), 1:22-23, 115; idem, *1980 Korea Advance Report on Population and Housing Census* (Seoul: Economic Planning Board, 1981), p. 36; United Nations, Department of International Economic and Social Affairs, *Demographic Yearbook 1980* (New York: United Nations, 1982), pp. 192-93.

NOTE: Percentages in parentheses are actual percentage changes.

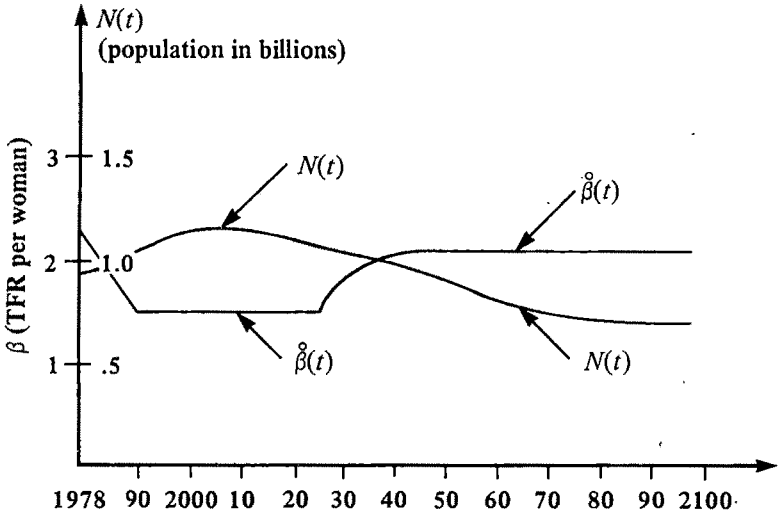
2.8 children on the average, whereas women in the middle-income category had borne 3.5 children and women in the low-income category had borne 4.3 children. Women 35 years of age in the high-income category had borne 1.9 children, but those with low income had borne 3.0.

Current policy and future implications of the age structure

The objective of the Chinese birth control policy is to reduce the total fertility rate to 1.5 until the year 2000. In Figure 2, which shows how China hopes to optimize levels of fertility and achieve desired levels of population size, $\mathring{\beta}(t)$ refers to the total fertility rate and $N(t)$ refers to the size of the population. The total fertility rate starts in 1978 at 2.2, descends to 1.5 around 1990, and continues at that level until 2025, then rises again by the year 2040 to 2.1, the replacement level. The total population reaches 1.2 billion in the beginning of the twenty-first century, and in the next century it declines to below 1 billion. According to this model the dependency index—the population under age 18 and over age 65 divided by the population 18-64 years old—will be less than 1 and the aging index—the mean age of the population divided by the life expectancy at birth—will be less than 0.7.[19] This is an unusually ambitious target.

19. Song Jian, Tuan Chi-hsien, and Yu Jing-yuan, *Population Control in China: Theory and Applications* (New York: Praeger Publishers, forthcoming), chap. 8.

FIGURE 2
OPTIMIZATION OF FERTILITY AND ITS CORRESPONDING POPULATION: CHINA



SOURCE: Song Jian, Tuan Chi-hsien, and Yu Jing-yuan, *Population Control in China: Theory and Applications* (New York: Praeger Publishers, Forthcoming).

NOTES: The dependency index is defined here as population under 18 and over 65 years of age divided by population 18-64 years of age. The aging index is mean age of the population divided by life expectancy at birth. This projection is based on the following conditions and assumptions: $1.5 \leqslant \mathring{\beta}(t) \leqslant 2.14$; maximum population $\leqslant$ 1.2 billion; dependency index $\leqslant$ 1; aging index $\leqslant$ 0.7.

Owing to its dramatic fertility reduction, China has become the most rapidly aging nation among the less-developed countries in the world.[20] Indexes of population aging include changes in the proportion of persons 65 years of age and over, the median age of the population, the aged-dependency ratio—the number of persons 65 years old and over for each 100 persons of ages 15 through 64—and the aging index when this index is defined as the ratio of persons 65 and over to persons under 15. Also important are measurements of the extension of life, such as life expectancy at birth and at various other ages, and the proportion of persons 75 years of age and over to those of ages 65 and over.

In 1980, 5.9 percent of China's population was age 65 and over. By the year 2025, according to United Nations projections, the proportion of persons 65 and over will have risen to 13.3 percent. In contrast, the proportion of persons 65 and over in all less-developed countries (LDCs) in 1980 was only 3.9 percent, and by 2025 that proportion will have increased to only 7.8 percent. In the 1980s the median age of China's population is estimated to be 24.4 years, as contrasted with 19.9 years in all the LDCs. By the year 2025 the median age of China's population, according to United Nations projections, will have

20. Philip M. Hauser, *Aging of Population and Labor Force for the World, More Developed and Less Developed Areas and Their Regions: Population Aging 1970-2025; Labor Force Aging 1970-2000*, Population Research Institute, Research Paper Series, no. 15 (Tokyo: Nihon University, 1983).

reached 37.7 years, compared with 29.5 years for the LDCs as a whole. In 1980 in China there were 9.5 persons 65 years of age and over for each 100 persons of working age, defined as 15 through 64. This aged-dependency ratio was 7.0 for all LDCs combined. By the year 2025 the aged-dependency ratio in China will be 19.6, as contrasted with 11.8 for the LDCs in the aggregate.[21]

The tremendous increase in the older population in China is also indicated by the aging index. In 1980 there were 18.1 persons 65 and over for each 100 persons under 15. In the LDCs combined, the aging index was only 9.8, little more than half that in China. By the year 2025, China's aging index could reach 69.5, in sharp contrast to the 29.8 projected for all LDCs.[22] If present aging trends continue, the social and economic order in China will be significantly changed by the year 2025.

Expectation of life at birth in China in 1980 was 67.3 years, as compared with 55.1 years for all LDCs. By the year 2025, life expectancy at birth in China is expected to be 74.6 years, whereas in the LDCs in the aggregate it is expected to be 69.9 years. In 1980, of all the persons 65 years of age and over in China, 29.7 percent were 75 years old or older. For all the LDCs this proportion was 27.4 percent.[23]

Rapid aging of the population presents serious economic and social problems, problems that the United States and Japan are already beginning to face. Adequate solutions will cost the productive part of the economy and society greatly. The proposed change in fertility in China would be more drastic than that of the United States and Japan. Therefore the impact of aging will be much greater. The Chinese leadership's response to this kind of concern is that "the serious aging problem will not appear within this century . . . and will not be so serious even 20 years after the turn of the century."[24] The implication seems to be that in the coming years China will make drastic efforts to increase its economic development, even at the cost of paying partly for it in the next century by turning over to the next generation heavier economic and social burdens. Once China reaches a respectable level of development in the next several decades, it may be able to handle the problem of aging.

CONCLUSION

Further tabulations of the 1982 census and proposed further analysis of the 1982 National Fertility Survey will provide bases for fascinating studies of population dynamics as they relate to recent development in China. For example, the history of marriage and fertility and some aspects of the history of mortality can be related to political, social, and economic history as well as to demographic data from other sources. As we have seen, the depths and heights of political and economic swings in China are accompanied by unusually large demographic swings. The data to be made available in the near future will make it possible to perform analyses for China's provinces and smaller areas. A systematic study of the variations in the demographic history of major areas and social groups within China can also be done. There are numerous other topics that can further our understanding of the underlying factors in population and social change taking place in China.

21. Ibid.
22. Ibid.
23. Ibid.
24. Xu Dixin, "On the Relationship between Population Growth and Economic Development."

ANNALS, *AAPSS*, **476**, November 1984

Birth Planning and Fertility Transition

By PI-CHAO CHEN

ABSTRACT: In 1971 the government of the People's Republic of China launched the third birth control campaign. The goals were to raise the age at marriage, lengthen the birth interval, and limit the number of births per family to two in the cities and three in the countryside. A birth-quota and pregnancy-authorization system was instituted. The campaign was greatly facilitated by the nationwide network of free community-based contraceptive and abortion services and generous incentives. By the early 1980s the contraceptive prevalence rate rose to 70 percent, and the total fertility rate fell to about 2.5 children per woman of reproductive age. The year 1979 saw the introduction of the one-child campaign. By 1982 first births accounted for 47 percent of total births, and 42 percent of the one-child families had pledged to have no more children. The successful implementation of the one-child campaign will, however, lead to a rapid aging of the population. The percentage of the population older than 64 years of age will increase rapidly, from 5 percent in 1982 to 7.3-7.7 percent in 2000 and to 23-27 percent in 2050. With such a high aged-dependency ratio, caring for the aged will entail heavy fiscal outlay in the twenty-first century.

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IN 1982 China took its third census. The census counted a total of 1.008 billion persons, about a fifth of the world's population. It also revealed that in 1981 the crude birth rate was 20.91 per 1000 population and the crude death rate was 6.36 per 1000; therefore the natural-increase rate was 14.55 per 1000, or a net increase of 14 million persons.[1]

Two months after the census, a sample survey of fertility was taken. Since it sampled roughly one one-thousandth of the total population, the survey has come to be known as the one one-thousandth fertility survey. The survey confirmed that the 1970s witnessed a contraceptive revolution and a drastic fertility decline. In 1982 contraceptive use among married women of reproductive age was 70 percent. The pace and magnitude of fertility decline is even more dramatic and remarkable: the fertility rate fell by 65 percent between 1968 and 1980.

THE EVOLUTION OF BIRTH-PLANNING POLICY

The Chinese birth-planning programs may be divided into four phases: (1) 1956-58; (2) 1962-69; (3) 1971-79; and (4) 1979 to the present. The organized programs to reduce fertility commenced in the period 1956-57 after the 1953 census revealed a much higher population growth rate than had been expected. The programs were disrupted shortly thereafter, from 1958 to 1961, by the Great Leap Forward and the transition to people's communes. They were reactivated in 1962 and disrupted again from 1966 to 1969 by the Cultural Revolution. The big push to reduce fertility commenced in 1971, with the issuance of a major policy directive, known as State Council Directive Number 51. In 1979 the one-child policy was initiated.

THE "LATER, LONGER, AND FEWER" CAMPAIGN

State Council Directive Number 51 ushered in the third birth control campaign, known as *wan xi shao*, "later marriage, longer spacing, and fewer births."[2] Prior to this campaign, couples in China, as elsewhere, made their own decisions regarding age at marriage, length of birth interval, and number of children. The implementation of the "later, longer, and fewer" policy in effect socialized these decisions, with all those eligible expected to abide by the reproductive norms officially promoted.

To implement the policy of late marriage, the program emphasized raising the age at marriage to 23 and 25 for women and men, respectively, in rural areas and to even higher ages for urban residents. The age at marriage was controlled by the local authorities—namely, commune or residents' committees—through permits to marry, which for women usually involved permission to change residence as well. During the 1970s it became increasingly difficult to obtain permission to marry at ages younger than the program's specified minimums.

To measure compliance, the program used the late-marriage rate, defined as the percentage of women who marry for the first time during the calendar year in

1. "Communiqué of the State Statistical Bureau of the People's Republic of China on Major Figures in the 1982 Population Census, October 27, 1982," *China Population Newsletter*, 1(1):19-21 (May 1983).

2. Shin Cheng-li, "The Birth Planning Work Since the Founding of the Republic: A Preliminary Discourse on the History of Our Nation's Birth Planning Activities," *Xibei renkou* [Northwest population], no. 2, pp. 33-48 (1980).

question and satisfy the official norm of 23 years of age. According to the one one-thousandth survey, the late-marriage rate was 13.8 percent in 1970 and rose to 52.8 percent in 1980, implying that half of the women married in 1980 were 23 years of age or older. The mean age of marriage was 20.19 years in 1970 and rose to 23.05 in 1980.[3]

To implement the policy of longer birth intervals and fewer births, the Chinese birth-planning programs developed in the course of the 1970s a birth-quota system. Under this system the national government assigned a numerical target for the natural-increase rate to the provinces and expected them to realize it fully or as nearly as possible. The provincial or prefectural authorities in turn translated the targeted natural-increase rate into a planned-birth quota and distributed the quota among the prefectures or counties under their jurisdiction.

A major task for the county birth-planning office each year was negotiating the planned-birth targets up and down the chain of command. This involved converting the county's planned-birth quota into individual certificates of permission to become pregnant and give birth. Each April the county decided at a meeting of all relevant commune or township cadres each commune's or township's planned-birth quota. Each commune in turn distributed its quota among its brigades at a meeting of all relevant brigade leaders. Finally, each brigade held a meeting of all couples eligible under the marriage-age, spacing, and family-size rules in order to assign individual birth permission for the next year.

3. Editorial Board of *Renkou yu jingji* [Population and the economy], *An Analysis of the National One One-thousandth Sample Survey of Fertility*, special issue of *Renkou yu jingji*, pp. 115-16, 126 (1983).

RULES FOR PREGNANCY AND BIRTH AUTHORIZATION

The prime criteria for eligibility for birth permission were (1) attaining the specified minimum age for marriage; (2) having a four-year interval since the birth of the last child; and (3) having no more than two living children or, toward the end of the 1970s, no more than one.

If the number of families eligible to have a birth exceeded the brigade quota, an appropriate number of families were persuaded to wait a year, or the brigade appealed for an increase in the quota. Negotiations between communes and brigades sometimes required three or four exchanges. Finally, a small, red birth permission certificate was issued to each family approved for a birth in the next year and opened the door to maternity care. All other couples of reproductive age were expected to use contraceptives and to resort to abortion in case of contraceptive failure.

The "later, longer, and fewer" phase saw the introduction of free contraceptive services and incentives to the accepters of contraception.

In the early 1970s, to induce eligible couples to accept the four planned-birth operations, major cities on the coast adopted a system of incentives. Under this system, the accepters of planned-birth operations were awarded leaves of absence with full pay on this schedule: 14 days for early abortion; 30 days for midterm abortion; 21 to 28 days for tubal ligation; 70 days for postpartum tubal ligation, of which 56 days were the standard maternity leave granted to the female employees of government agencies and state factories; 3 to 7 days for

vasectomy; and 2 to 3 days for insertion of an intrauterine device (IUD).[4]

During the 1970s this system of incentives was adopted by an increasing number of rural communities. By the end of the decade it was probably instituted in all rural areas. The amount of benefits was decided by the local community and therefore varied from one county to another, one commune to another, and even one brigade to another within the same commune. Generally speaking, the benefits—in paid leaves of absence from collective farming—were as follows: 14 days for early abortion; 7 to 21 days for tubectomy; 30 to 60 days for postpartum tubectomy; 7 days for IUD insertion; and up to 7 days for IUD removal.[5]

THE THREE-TIERED INTEGRATED PRIMARY HEALTH SERVICE

Starting in 1966, China initiated, by way of trial and error, the building of a nationwide network of integrated primary health services in rural areas. By the mid-1970s, such a nationwide network, albeit primitive by the West's standards, was established. Of the innovations borne out of the Cultural Revolution, this is the only one that has survived the death of Mao and the removal of the Gang of Four. The post-Mao leadership not only has not demolished it, but actually has strengthened it by allocating more funds to upgrade the technical competence of the paramedics. Among other functions, its role as the provider of community-based planned-birth services has proved to be indispensable.

At the bottom of the three-tiered health care system is the brigade cooperative medical station. Staffed by two to four barefoot doctors, the station is responsible for providing preventive and simple curative health care as well as contraceptive services to a brigade with 1000 to 3000 persons.

At the middle tier is the commune health center, responsible for the health care of a commune with a population of 15,000 to 50,000. It is staffed by college or vocational medical school graduates, laboratory technicians, and other support personnel. It provides technical training, supports and supervises the barefoot doctors, and treats the cases referred from below.

At the top, or county, level are the county hospital, county maternal and child hospital, and the county epidemic-control stations. Each of these three is responsible for providing training, technical support, and supervision to the commune health centers in their specialized and responsible areas.[6] In addition to these county facilities, there is the county birth-planning office responsible for implementing the "later, longer, and fewer" policy and for coordinating training and the provision of contraceptive services in the county.

4. Pi-chao Chen, "China's Population Program at the Grass-roots Level," *Studies in Family Planning*, 4(8):219-27 (Aug. 1973); Pi-chao Chen and Ann Miller, "Lessons from the Chinese Experience: China's Planned Birth Program and Its Transferability," *Studies in Family Planning*, 6(10): 354-66 (Oct. 1975).

5. Pi-chao Chen, "Rural Health," *Rural Health in the People's Republic of China*, National Institutes of Health pub. no. 81-2124 (Washington, DC: NIH, 1980), pp. 105-27.

6. Pi-chao Chen, *Population and Health Policy in the People's Republic of China*, Interdisciplinary Communications Program, Occasional Monograph Series, no. 9 (Washington, DC: Smithsonian Institution, 1976), pp. 31-74; idem, *Rural Health and Birth Planning in China* (Research Triangle Park, NC: International Fertility Research Program, 1981), pp. 13-33.

By the end of the 1970s, each of the more than 2500 counties had its own county hospital, county maternal and child hospital, and county epidemic-control station. Of all communes, 55,000—or about 90 percent—had their own health centers; and of the nation's production brigades, 700,000—or 90 percent—had their own medical stations. A total of 1.46 million barefoot doctors and trained paramedics were employed at the brigade medical stations by the decade's end.[7]

Contraceptive services have been built into the three-tiered integrated health care system. At least one barefoot doctor in each brigade medical station is female and reportedly trained in IUD insertion and removal. Some of the female barefoot doctors are trained in the use of vacuum aspiration to induce abortion. At least one staff member at each commune health center is reportedly trained in tubal ligation, vasectomy, IUDs, and midterm abortion.

To cope with the perennial shortage of trained medical providers in rural areas, the government has organized urban medical workers into mobile planned-birth surgical teams and has dispatched them to the countryside from time to time. This practice was initiated in the mid-1960s and continues to the present, albeit on a lesser scale.

RAPID RISE IN CONTRACEPTION AND FERTILITY DECLINE

The gradual diffusion and increasingly rigorous enforcement of the planned-birth quota system combined with the nationwide network of community-based contraceptive services to bring about a rapid increase in contraceptive use in the 1970s. At the beginning of the decade, perhaps 5 to 10 percent of the eligible couples, mostly urbanites, were using contraceptives, as indicated by the total fertility rate[8]—5.8 children per woman. Twelve years later, in 1982, of a total of 170 million women aged 15 to 49, 118 million were using contraceptives, achieving a contraceptive prevalence rate of 70 percent (Table 1). In comparison, in 1976 the contraceptive prevalence rate was 61 percent in Japan and 69 percent in the United States.[9]

Of those practicing contraception in China, half were using IUDs, a quarter had had tubal ligations, and one-tenth had had vasectomies. About 8 percent were relying on steroid pills and 2 percent on condoms, with the remaining 4 percent using other methods. The contraceptive prevalence rate was higher in urban than in rural areas: 74 percent versus 69 percent, respectively.

As a consequence of the dramatic increase in contraceptive use and abortion, fertility plummeted. In 1968 the total fertility rate was 6.5 children per woman of reproductive age, ages 15 to 49. It fell to 2.238 in 1980, only to rise to 2.631 in 1981.[10] The fertility decline may be measured in terms of the first-births

7. Pi-chao Chen and Chi-hsien Tuan, "Primary Health Care in Rural China: Post-1978 Development," *Social Science and Medicine*, 17:1411-19 (1983).

8. Total fertility may be understood as the average number of births a woman will have by the end of her reproductive age if the current number of births by age to women aged 15 to 49 were to continue.

9. Dorothy Nortman and Ellen Hofstetter, *Population and Family Planning Programs: A Compendium of Data through 1981* (New York: Population Council, 1982), tab. 21, p. 95.

10. See Lee-Jay Cho, "Population Dynamics and Policy in the People's Republic of China," this issue of *The Annals* of the American Academy of Political and Social Science, fig. 1.

TABLE 1
CONTRACEPTIVE PREVALENCE RATE (CPR) AND DISTRIBUTION OF CONTRACEPTIVE METHODS IN USE, 1982 (Percentage)

	CPR	Tubectomy	Vasectomy	IUDs	Steroid Pills	Condoms	Others	Total
Total	69.4	17.6	6.9	34.8	5.9	1.4	2.8	100.0
		25.4	10.0	50.2	8.4	2.0	4.0	100.0
Urban	74.3	15.1	2.1	28.8	14.1	7.2	7.0	
		20.3	2.8	38.9	19.0	9.7	9.4	100.0
Rural	68.6	18.1	7.9	36.0	4.3	0.3	2.0	
		26.4	11.5	52.5	6.3	0.5	2.9	100.0

SOURCE: Editorial Board of *Renkou yu jingji* [Population and the economy], *An Analysis of the National 1/1,000 Sample Survey of Fertility*, special issue of Renkou yu jingji, p. 131.
*Including barrier methods, safety period, and coitus interruptus.

ratio, or first births as a percentage of total births. The first-births ratio was 21 percent in 1971; it rose to 31 percent in 1977 and to 47 percent in 1980.

Like most populations that have experienced reduction in fertility, fertility decline in China began first among the urban residents and then spread to the rural peasants. In 1969, when the secular fertility decline commenced, the total fertility rate in urban areas was already low—3.3—as compared to 6.3 in rural areas. In 1980 it fell by 65 percent, to 1.147 in urban areas and to 2.48 in rural areas. Given China's life expectancy at birth in recent years, a total fertility rate of 2.238—a rate achieved in 1980—may be considered replacement-level fertility.

As in other societies that have experienced fertility transition, fertility decline in China began among teenage and older women. By 1980 the concentration of fertility among women in their mid-twenties and its precipitous decline after age 25 was particularly marked. In 1955, births to women aged 15 to 19 accounted for 7.2 percent of total births. The proportion fell to 4.8 percent by 1965, to 2.8 percent by 1975, and to an incredibly low 2.2 percent by 1980. At the other end of the reproductive scale, births to women aged 35 and above accounted for a quarter of total births as recently as 1965. By 1980 this proportion had dropped to just 3.6 percent.

The fertility decline has cut across the entire reproductive age span. Births to women in the peak childbearing ages also dropped substantially. Births to women aged 20 to 24 declined by 50 percent in the 1965-80 period, from 289 to 142 births per 1000 women. During the same period, births to women aged 25 to 29 fell by 60 percent, from 311 to 90 per 1000 women.

THE ONE-CHILD CAMPAIGN

In 1979, apparently alarmed by internal population projections, the government shifted the emphasis of its birth-planning efforts in the direction of one child per family.

One internal projection showed that if the total fertility rate remained constant at the estimated 1978 level of 2.3 children, the population would grow to 1.28 billion by the year 2000.[11] This pro-

11. Song Jian, Tian Xueyuan, Li Guang-yuan, and Yu Jing-yuan, "On the Target of the Population Development of Our Country," *Renmin ribao* [People's daily], 7 Mar. 1980.

jected growth is rapid, despite the relatively low fertility that prevailed toward the end of the 1970s, because high crude birth rates up to the mid-1970s produced large cohorts each year. As they reach marital age, these cohorts will swell the number of potential parents in the next two decades. The one one-thousandth survey revealed that women aged 15 to 19 accounted for one-quarter of the women of reproductive age—15 to 49. As these cohorts marry, they will raise the absolute number of births even if each couple has two children on the average.

To overcome this hurdle to rapid transition to zero population growth, regarded as a highly desirable demographic goal by China's political elite since the late 1970s, the government introduced the one-child campaign. The goal was to limit the population size to 1.2 billion in the year 2000. The policymakers frankly admitted that this numerical target, like earlier ones, would be difficult, if not impossible, to achieve. Nevertheless, they believed such targets and the one-child family serve as a focus for their effort.

In the summer of 1979, when she announced the one-child policy on behalf of the government, Vice-Premier Chen Muhua called for the institution of an economic reward-and-punishment scheme to promote the one-child policy.[12] The first draft of a national birth-planning law to provide incentives for the one-child family and disincentives for more than two births was drawn up either before that time or shortly thereafter. By September 1980, when the National People's Congress—the nominal legislative body that rubber-stamps whatever policy decisions are reached by the supreme Party leaders—was in session, the eighth draft of the law was in circulation at the grass-roots level to gather comments and reaction.

To date, the National People's Congress has yet to pass a national birth-planning law. There are several reasons for this. First, there is the question of the enforceability of the punitive provisions in the draft. If there were widespread noncompliance with the law in rural areas among peasants—who would not stop childbearing until they at least had a son for their support in old age—could and would the punitive provisions be enforced? And with what consequences?

Second, what would be the special provisions for the national minorities, especially the Muslims? Exempting them from the mandatory limit of one child would be an easy way out. In 1982 the minorities constituted 6.7 percent of the population, but numbered 68 million in total—more than the entire population of England or France. If differential fertility were allowed to continue, the minorities as a percentage of the total population would steadily increase over the decades. Is this an acceptable prospect?

Third, the law calls for generous economic and other benefits to couples who pledge to have only one child by accepting a one-child certificate until the child is 14 years old. Delivering those benefits will entail substantial budgetary outlay, which will increase astronomically in the next two to three decades. Where will the funds come from? Would this expenditure cut into funds otherwise available for investment in capital and

12. M. Chen, "To Realize the Four Modernizations, It is Necessary to Control Population Increase in a Planned Way," *Renmin ribao*, 11 Aug. 1979, trans. Pi-chao Chen, under the title "Birth Planning in China," *International Family Planning Perspectives*, 5(3):92-101 (Sept. 1979).

social overhead projects that promise high return?

Fourth, the army and the women's federation have voiced opposition. The army is concerned with the shrinking military labor pool that the one-child policy would entail. The women's federation has expressed concern about a resurgency of infanticide of female babies in the countryside by peasant families who insist on having at least a son but find their first and only authorized child to be a daughter.

Obviously, there are no easy solutions to these problems. The failure to promulgate a national planned-birth law to date suggests that these and other nagging problems remain unresolved.

Local regulation of fertility

In the absence of a national law, the government encouraged the provincial authorities to issue their own provisional regulations. To date, most provinces have issued and presumably have implemented their own provisional regulations.[13]

Although the specific incentives stipulated in the regulations vary from one province to another, they are all generous for one-child couples who pledge to have no more children. The regulations stipulate severe economic and other sanctions against those who defy the call to stop at one or two children. Within each province, individual counties, communes, or even brigades may add their own local incentives. The one-child couples are called upon to apply for the one-child certificate, which entitles the holders and their child to various economic and noneconomic benefits.

The benefits and sanctions differ a great deal depending on whether residence is rural or urban. In the urban areas

—the one-child-certificate family will be given a monthly stipend, ranging from 5 to 8 percent of the average worker's monthly wage, or an annual stipend, equivalent to one month's wage. This cash benefit continues until the child is 14 years of age. If the certificate holders break their promise by having a second child, all the cash must be returned;

—space allotted in the future for housing will be the equivalent of the space considered standard for a two-child family, regardless of the number of children the family actually has, and priority for housing allocation will go to one-child families;

—mothers who obtain a certificate upon the birth of the first and only

13. These regulations are, for Anhui, contents summarized and trans. into English in *Daily Report: People's Republic of China*, 20 Apr. 1979, pp. 01-03; for Hunan, contents summarized and trans. into English in ibid., 26 June 1979, pp. p2-p3; for Beijing, summarized in a Xinhua news release and trans. into English in ibid., 8 Nov. 1979, p. p3; for Guangdong, Guangdong Provincial People's Congress, *Guangdong Provincial Planned Birth Regulations* (Guangzhou, 1980); for Shanghai, "Shanghai Municipal Planned Birth Regulations," *Jiefang ribao* [Liberation daily], 10 Aug. 1981, trans. in *Survey of World Broadcast*, 31 Aug. 1981, pp. FE/6815/B11/1-3; for Shanxi, "Shanxi Planned Parenthood Regulations," *Shanxi ribao* [Shanxi daily], reprinted in *Population and Development Review*, 9(3):554-60 (Sept. 1983); for Sichuan, contents summarized and trans. into English in *Daily Report: People's Republic of China*, 14 Mar. 1979, p. J-1; for Tianjin, *Da gong bao* [Da gong newspaper] (Hong Kong), 12 Aug. 1979; for Zhejiang, contents summarized and trans. into English in *Daily Report: People's Republic of China*, 13 Sept. 1979, p. 06.

child will receive at least two extra weeks of paid maternity leave;

—the only child will receive free or subsidized medical care or preferential treatment;

—a 5 percent supplementary pension, over and above that provided for by the existing labor protection law, will be given to certificate holders, and an even more generous pension will be given to childless workers;

—highest priority will go to the only child in admission to nurseries, kindergartens, and schools; and

—highest priority in job assignment will go to the only child.

In rural areas

—the certificate holder is to be allocated extra work points until the child reaches 14 years of age; in some prosperous areas a one-time cash bonus will be offered;

—in the future each family, regardless of its size, will be allocated a four-person housing lot, on which the family will build its own house;

—rural communes will be called upon to guarantee the childless aged person the living standard equal to or higher than the local average, and to begin to build senior citizen houses for the childless; and

—an only child is to be given priority in being assigned jobs in commune-owned factories and sideline activities.

Prior to 1979 there appeared to be no disincentives to providers and supervisors of the planned-birth programs. Since then, disincentives have been introduced to spur the local community and the work unit to exert pressure on individual members to conform. For instance, the Guangdong provincial regulations specifically stipulate that the enterprise units that fail to hold actual births within the assigned planned-birth quota will be assessed a fine equivalent to 2 percent of their profit. In Beijing and virtually all the major cities on the coast, a new collective responsibility system has been instituted. Under this system, if a member of a government office or work unit has a second child in violation of his or her pledge—which is made without any choice in a mass rally—all the rest will forfeit their annual one-child bonus. In places like Beijing and Shanghai, such bonuses can be as much as one month's wages, ¥50 to ¥60.

This collective responsibility system has also been applied to the supervisors of the planned-birth programs, namely the Party and administrative cadres in rural communes. In the past, if the commune or brigade overfulfilled its farm output and delivery quota, its Party and administrative cadres would be awarded a very handsome bonus, which in some areas amounted to as much as a quarter of annual pay. To qualify for the bonus now, the commune or brigade must fulfill two quotas: a farm output and delivery quota and a planned-birth quota. Failure to fulfill either now results in a meager bonus or none at all.

Under the old collective farming system, the team leader assigned peasants to specific farming tasks and remunerated them periodically for the amount of work points credited to their account. Under the production responsibility system, there have evolved several new arrangements. Under one arrangement, the production team allocates farming

plots, tools, fertilizers, and plow animals to a household or a group of households for a period of one to three or more years. In return, the household or household group guarantees the delivery of a fixed amount of crops. They are free to dispose of the remaining crops as they see fit, including selling them in the private market. Under a second arrangement, the peasant households are assigned a farming plot and are remunerated in work points.[14] The majority of rural communes has opted for one or another variant of the new production responsibility system.

The experience of the last several years has shown that the production responsibility system has indeed spurred peasants to greater efforts and productivity. The annual growth in agricultural output averaged slightly over 2 percent in the first three decades of Communist rule, and this just barely kept up with population growth. In the last several years, it has averaged at least 5 percent.

The new system, however, has adversely affected the one-child campaign. In the past, the team or brigade cadres rewarded those using contraceptives or holding one-child certificates with extra work points and other benefits. They punished the defiant by deducting work points and denying tangible benefits. In areas where the production responsibility system is now in force, there are no work points to reward or deduct and few tangible rewards to dispense with. Denied the battery of rewards and punishments previously at their disposal and in the absence of a national planned-birth law, some rural cadres have complained that they are powerless to enforce the planned-birth quota and the one-child policy; they have demanded speedy promulgation of a national planned-birth law.

Confronted with this dilemma, some localities have developed new ways of implementing the planned-birth quota. One such innovation is the so-called double-contract system. Under this system, the peasant household, in exchange for the right to contract out a farming plot, promises to deliver the amount of crops specified by the quota and to refrain from having an unauthorized birth on pain of a severe fine or forfeiting the right to contract farming. In one variant or another, the double-contract system has been put into effect in an increasing number of rural counties.

THE PROGRESS OF THE ONE-CHILD CAMPAIGN

The one-child campaign has progressed fairly well. In 1970, 1 out of 5 babies were firstborn. Since then the proportion has risen to almost 1 out of 3, in 1977, and to almost 1 out of 2—47 percent—in 1981.[15]

According to the one one-thousandth sample survey, at the time of the survey women with one child accounted for 21 percent of all mothers aged 15 to 49; they constituted 33 percent of mothers in urban areas and 19 percent of mothers in rural areas. Of the one-child mothers, 42.3 percent have obtained the one-child certificate. The rate was 77.6 percent in

14. Jergen Domes, "New Policies in the Communes: Notes on Rural Societal Structure in China, 1976-1981," *Journal of Asian Studies*, 7(2):253-67 (Feb. 1982).

15. Editorial Board, *Analysis of the National One One-thousandth Sample*, p. 56; Population Census Office under the State Council, and Department of Population Statistics, State Statistical Bureau, *Major Figures by 10 Percent Sampling Tabulation of the 1982 Population Census of the People's Republic of China* (Beijing, 1983), pp. 26-27.

urban areas and 31.3 percent in rural areas. It also varied by region, ranging from 25 percent in the Central South to 57 percent in the Northeast.[16]

The preference for male children has persisted, as expected. For every 100 females enrolled in the certificate program, 150 males were enrolled. Also as expected, this preference is stronger in rural than in urban areas. In urban areas, for every 100 families with a female only-child enrolled in the one-child certificate program, there were 121 families with a male only-child enrolled. The corresponding ratio in the countryside was 100 to 178.[17]

These statistics testify to the Chinese government's organizational skills and social-engineering capability. Over the last three decades, the government has proved itself capable of penetrating, controlling, and regulating the daily life—including reproduction—of China's vast rural population to an extent seldom seen in history. There are, however, cultural and societal constraints that not even China's government can circumvent.

In today's China, old-age pensions are available to no more than 15 to 20 percent of the population, mostly urbanites and some Party and administrative cadres in rural villages. The peasants, who still constitute over two-thirds of China's population, are not covered by social security of any sort or scope.[18] Like their ancestors, they have to look to their male offspring to take care of them in their old age. The strong male preference, as evidenced by the statistics cited earlier, is not left over from feudalistic Confucian thought, as the government elite and propaganda machine would have it, but rather is due to pragmatism, pure and simple.

The lack of social security for rural peasants also explains in part the difference in response to the one-child policy. Although urban women comprised only 17 percent of the women of reproductive age in the one one-thousandth sample, they accounted for 44 percent of the total certificate holders. The corresponding figures for rural women were 83 percent and 56 percent, respectively.[19]

The same concern for care of the aged explains the much greater percentage of rural women who changed their minds and proceeded to have a second birth after having obtained one-child certificates. Of the total sample of 15,007 women of reproductive age who have obtained a certificate since mid-1979, 965 had changed their minds and had had a second birth by the time of the survey. Of these 965 women, 98 percent were rural women. For the country as a whole, 6.4 percent of the certificate holders had had a second birth. Whereas 1 out of 10 certificate holders in rural areas had had a second birth, only one-third of 1 percent of the urban women had done so.[20]

Given the biological fact that for about every 106 male babies born there will be 100 female babies born, the government's attempt to prevent about 50 percent of the one-daughter parents from having a second birth is bound to run into massive, bitter resistance, if not outright defiance. The reason is very simple: many peasants hope the second

16. Editorial Board, *Analysis of the National One One-thousandth Sample,* pp. 137-42.

17. Ibid., pp. 143-44.

18. Deborah Davis-Friedmann, "Old Age Security and the One-child Campaign" (manuscript, Yale University, 1983).

19. Editorial Board, *Analysis of the National One One-thousandth Sample,* p. 13.

20. Ibid., pp. 139-40.

birth will result in a son. It remains to be seen whether the government can sustain the one-child campaign over a long period of time.

RAPID AGING OF THE POPULATION AND ITS IMPLICATIONS

Whatever the numerical target—in terms of average number of children per family—eventually achieved, one inevitable consequence will be the rapid aging of the population, entailing a heavy aged-dependency burden and a formidable cost for financing the care of the aged during the next half century and beyond.

A team of Chinese systems engineers under the leadership of Song Jian conducted a series of sophisticated demographic projections. In one scenario, the total fertility rate was assumed to drop to 2 in 1980 and remain constant thereafter, while the death rate would continue its decline at the same pace as in the recent past. With these fertility and mortality trends, the population would grow to 1.222 billion in the year 2000. However, the population would continue to grow even further, thanks to demographic momentum. It would reach 1.542 billion in 2050. Thereafter it would begin to decrease in size: to 1.492 billion in 2075 and to 1.483 billion in 2080.

In another scenario, the total fertility rate was assumed to be 2.3 in 1980—as compared to 2.238 as revealed by the one one-thousandth survey—and remain at that level thereafter. In this case, the population would grow to 1.286 billion in the year 2000 and would continue to grow for at least 80 years. It would reach 2.132 billion in the year 2080.[21]

If the first scenario were to run its course, persons above 65 years of age would increase to 7.7 percent of the total population by 2000, to 27.2 percent by 2050, and to 30 percent by 2080. If the second scenario were to run its course, the corresponding figures would be 7.3 percent in 2000, 22.6 percent in 2050, and 25.2 percent in 2080.[22] In 1982 persons older than age 64 comprised only 4.9 percent of the total population, as revealed by the 1982 census. In 1980 only in four countries did persons older than 64 constitute more than 14 percent of the population: 15 percent in Sweden, West Germany, and Austria and 16 percent in East Germany. The corresponding figure for the United States was 11 percent; for Japan, 8 percent; and for the developing countries as a whole, only 4 percent.[23]

Keyfitz recently did a series of projections for the Chinese population. The age data he used were probably derived from the household registrants of 1978 rather than the census of 1982. In one of his projections, life expectancy at birth was assumed to rise to 72 years over two generations, and annual births were to drop to 16.7 million per year in 1980 and remain at that level thereafter. This projection would result in an ultimate constant, or stationary, population of 1.2 billion.

One of the immediate effects of a drastic drop in fertility would be a favorable ratio of working population aged 15 to 64 to retired population aged 65 and above, as the large cohorts born between 1965 and 1980 attain working age. The working population aged 15 to 64 will continue to increase until 2005.

21. Song Jian, Tian Xueyuan, Yu Jing-yuan, and Li Guang-yuan, *Population Projections and Population Control* (Beijing: Renmin Publishing House, 1982), pp. 181-82.

22. Ibid.

23. "1980 World Population Data Sheet" (Washington, DC: Population Reference Bureau, 1980).

Thereafter, the proportion of retired people would begin to increase sharply. By 2040, when the cohorts born between 1960 and 1979 reach the age of 60 and retire, the ratio of the retired population to the working population would reach its peak: 32 retirees for every 100 workers.[24] In 1982 there were only 12 retirees for every 100 workers.

If the annual number of births were to be kept below 16.7 million, the change in the age distribution would be even more disadvantageous. In another of Keyfitz's projections, an ultimate constant population of 700 million corresponds to 10 million births per year. If the number of annual births decreased to 10 million per year in 1980 and remained at that level thereafter, there would be 50 retirees per 100 workers by 2040. In other words, every working-age couple would have to support one older person. With 20 million births per year, there would be 27 retirees per 100 working-age persons in 2040—still a heavy burden. By comparison, in the United States, the ratio of retirees to workers is projected to rise from about 20 percent in 1980 to 23 percent by 2000, to 33 percent by 2020, to 42 percent by 2030, and to over 50 percent by 2055. In West Germany, the retiree-to-worker ratio reached 45 percent by 1980, probably the highest in the world. It is to rise to 60 percent by 2005 and to about 90 percent by 2030.[25]

CONCLUSION

China's very success in reducing rapid population growth is breeding a second-generation problem. Thanks to rapid fertility decline in the 1970s and the government's plan to suppress fertility at a level well below that of replacement—which is 2.2 children per family—the population will age rapidly in the next several decades. The aging of the population has begun to emerge as a public policy issue challenging the ingenuity and taxing the resources of a growing number of developed countries. Even these affluent countries have found it increasingly difficult to finance care for the aged through taxation or through intergenerational transfer of income. Given the pace at which China's fertility has fallen and will continue to fall, the aging process will be even faster in China than in those developed countries.

In addressing this aging problem, China obviously will be traveling an untraversed path. Just as it innovated its own approach to fertility control, China will have to innovate its own approach to coping with the aging question. The experience of the West, Japan, and the socialist Soviet Union will be of little relevance to China. Needless to say, how China tackles rapid aging will be worth watching closely.

24. Nathan Keyfitz, "The Population of China," *Scientific American*, 250(2):38-47 (Feb. 1984).

25. "Pensions after 2000," *Economist* (London), 19 May 1984, pp. 59-60.

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QUESTIONS AND ANSWERS

Q (Fred Greenwald, Norristown, Pennsylvania): When I was in China in 1981, we were told that family planning was augmented by a system whereby if a family agreed to have but one child, that child would get extra rations of clothing

and other needs. If they had two children, each would get appropriate amounts for one child each. But beyond that, there was extra taxation, and the taxation increased measurably with each additional child.

A: What you heard is right. There is an incentive for the one-child family. It varies between rural and urban areas. The incentive in the urban area, I think, is critical. In the rural areas, each family with a one-child certificate is eligible for extra work points, credit worth one month's participation in farming, until the child is 14 years of age. In the countryside in the future each one-child family will be allocated a four-person housing lot. The only child will be given priority in admission to school and in assignment of industrial jobs.

COMMENT (S. Goldstein): Realizing that the introduction of the responsibility system to some extent pulls the rug out from under the one-child family system, there has been a movement to introduce a new institution called the double-contract system. When a farm family signs a contract under the responsibility system, in many places they are also expected to sign a contract with respect to fertility, promising not to have more than the number of children that are allowed in that particular location. If they violate that particular contract, then the terms under their responsibility contract are also changed and they may, for example, be relegated to poorer land or to growing a crop that yields less income. The hope is that, by building in a set of rewards and expenses that are tied to the responsibility system, the government will be able to maintain more control over the one-child family policy too.

ANNALS, *AAPSS*, **476**, November 1984

Sino-Soviet Relations: What Next?

By ALLEN S. WHITING

ABSTRACT: China's three demands for normalization of Sino-Soviet relations are not likely to win Soviet compliance. Only a modest reduction of the 480,000 Soviet troops opposite China is possible, but not removal of the 125 SS-20 missiles and 60 Backfire bombers, which have regional and global strategic significance. No Soviet concessions on Afghanistan or Vietnam-Kampuchea are expected. Ideology is no longer an issue between Moscow and Beijing as during Mao's time, but conflicts in national interest deadlock negotiations. Meanwhile, increased Sino-Soviet trade and travel reflect improved state relations. A further improvement could serve U.S. interests in Korea, Indochina, and arms control without jeopardizing U.S. and allied security interests elsewhere. Sino-Soviet relations are, however, basically independent of American influence and should not determine Sino-American relations.

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IN July 1964, Mao Zedong declared to a visiting Japanese delegation,

> A hundred years ago they [the Russians] incorporated the territory to the east of Lake Baikal, including Khabarovsk, Vladivostok, and the Kamchatka Peninsula. . . . We have not settled those accounts with them.[1]

This implied claim to 585,000 square miles of territory ceded to Czarist Russia by the Qing empire shocked Moscow into a massive military strengthening of its Siberian and far-eastern regions, which doubled the ground forces there over the following five years.[2]

In March 1969 the Chinese government provoked brief but bloody fighting over a disputed island in the Ussuri River.[3] Sporadic clashes erupted along the 4650-mile frontier during subsequent months. Propaganda campaigns in both countries alerted the two populaces to the threat of war. Meanwhile, President Richard Nixon and National Security Adviser Henry Kissinger publicly moved to deter a Soviet attack while privately signaling their interest in détente with China.[4]

Fifteen years later speculation turns, not on the prospect of Sino-Soviet conflict, but rather on the likelihood of alignment between Beijing and Moscow. Beginning in 1982, the two sides have met four times to probe for détente, in addition to numerous informal exchanges. Visits occur at the level of deputy prime minister, the highest level since 1965. Trade increases have averaged 50 percent annually over the past three years. Delegations traveling between the Soviet Union and China include athletes, scholars, tourists, and technical specialists in various fields.

Yet this past March Prime Minister Zhao Ziyang told visiting Japanese Prime Minister Yasuhiro Nakasone, "The main threat to China's security comes from the Soviet Union."[5] Beijing continues to demand that Moscow reduce its troop concentration opposite China to the 1965 level, including the removal of all forces from the Mongolian People's Republic. It also attacks Soviet hegemony as manifest in the occupation of Afghanistan and support for Vietnam's invasion of Kampuchea. It claims both situations must be reversed if Sino-Soviet relations are to be normalized.

Moscow in turn insists that it desires normalized relations while it steadily strengthens its forces in East Siberia. With more than 120 SS-20 missiles and 60 Backfire bombers there, Soviet nuclear attacks can cover all of China.[6] The expanding Soviet naval and air presence in Vietnam plus Moscow's military support to Hanoi further threaten Chinese security. Last but not least, the Soviet Pacific Fleet is now the largest component in Moscow's navy. This could cut China off from all foreign supplies in the event of war.

1. Mao Zedong, Speech to Japanese visitors, 10 July 1964, in *Mao Zedong sixiang wan sui* [Long live Mao Zedong thought] (1969; reprint ed., Taipei, 1974), pp. 540-41; for a similar version translated from *Sekai shuho*, 11 Aug. 1964, see Dennis J. Doolin, *Territorial Claims in the Sino-Soviet Conflict: Documents and Analysis* (Stanford, CA: Hoover Institution Press, 1965), p. 44.

2. Consensus of U.S. intelligence analysis, July 1969.

3. Chinese responsibility inferred from Neville Maxwell, "The Chinese Account of the 1969 Fighting at Chenpao," *China Quarterly*, no. 56 (Oct.-Dec. 1973).

4. For my role as an adviser on this matter, see Seymour M. Hersh, *The Price of Power: Kissinger in the Nixon White House* (New York: Summit Books, 1983), pp. 357-59.

5. *New York Times*, 24 Mar. 1984.

6. *New York Times*, 30 Jan. 1984.

Given the changing nature of the Sino-Soviet relationship over the past three decades and its central role in world politics as well as American foreign policy, several key questions arise. What constitutes normal Sino-Soviet relations: confrontation or cooperation? Are conflicts of interest so deep-seated as to preclude a real rapprochement? Or can Beijing and Moscow improve relations so as to change the balance of power in Asia and perhaps the world? Finally, how should the United States respond to this relationship? Is China playing a Soviet card to force greater American concessions on technology transfer, trade, and Taiwan? Or do we exaggerate the triangular effect of Sino-American relations on Sino-Soviet relations?

Admittedly, there is little direct evidence to answer these questions. Sino-Soviet consultations began in 1979 at China's initiative, were suspended by Beijing in 1980 because of Afghanistan, and resumed in 1982. No progress has been officially reported by either side on any issue, and no significant leaks have revealed the course of discussion. Fortunately, a thorough recapitulation of these and other interactions, as well as various allusions to them in Soviet and Chinese sources, is amply available elsewhere.[7] To summarize, hints of optimism dropped by both sides in 1982-83 subsequently dissolved into standard statements calling on the opposite number to show sincerity by actions as well as words.

7. Donald S. Zagoria, "The Moscow-Beijing Detente," *Foreign Affairs*, 61(4):853-73 (Spring 1983); Banning N. Garrett and Bonnie S. Glaser, *War and Peace: The Views From Moscow and Beijing* (Berkeley, CA: Institute of International Studies, 1984).

However, the situation is not static by any means. The changing agenda of issues identified by Beijing as characterizing Sino-Soviet differences over the past 20 years provides some measurement of flexibility in China's position. In addition, the nature of those issues permits us to assess whether stalemate or compromise is likely in the foreseeable future. Moreover, despite individual leadership changes, there is sufficient stability in the two regimes for projection from the present over the next five years. This can place the implications of likely Sino-Soviet relations in perspective for U.S. policy.

THE CHANGING AGENDA: TERRITORY AND TROOPS

Despite the far-reaching scope of Mao Zedong's 1964 remark, Beijing subsequently denied it would demand that Moscow return territory taken through "unequal treaties." Instead it called for a Soviet withdrawal from "disputed areas" allegedly occupied in violation of these treaties whose unequal nature need only be so acknowledged by Moscow as a precondition to negotiations. Moscow refused to do so, claiming that such acknowledgment might open the door to a reassertion of Mao's extreme irredentist position. Finally, Beijing apparently abandoned this demand, references to the "unequal treaties" having disappeared in references to the talks.

So far as the disputed areas are concerned, Soviet sources claim they have agreed to give up control over hundreds of islands in the Ussuri River, including the one that triggered the 1969 clashes.[8] But numerous minor points of

8. Interview with M. S. Kapitsa, 17 June 1978.

land remain at issue, according to the Chinese, scattered along the extensive mixture of forest, mountain, and arid plain that constitute the Sino-Soviet frontier. Beijing insists that Moscow must evacuate all such territory before detailed discussions can begin; Moscow refuses.

In addition, two areas of special military interest deserve attention. One is the so-called Pamir knot, a high, populated plateau in the Pamir Mountains adjoining the Soviet Union, Afghanistan, and China.[9] The second involves a pair of large, unpopulated islands opposite the key juncture of Khabarovsk at the confluence of the Amur and Ussuri Rivers. Soviet authorities are adamant on the retention of these two areas because of their strategic location, and Beijing will have to concede at least these points if a border settlement is to occur.

Moscow's military buildup was initially linked to the border dispute and the larger implications of Mao's July 1964 statement. These implications became worst-case possibilities with Red Guard border violence during the heyday of Cultural Revolution anarchy. Thus 22 divisions, nearly half of the total ground forces opposite China, are concentrated in and near the Maritime Province, between Manchuria and the Sea of Japan.[10] They defend the vital rail link between Khabarovsk and Vladivostok, the main base for the Soviet Pacific Fleet. That railroad runs within 10 miles of the Chinese border for nearly 175 miles along the Ussuri River.

Worst-case contingency planning can make a persuasive case in the Kremlin for this deloyment. Vladivostok is 12 time zones distant from Moscow. The Trans-Siberian Railroad offers the only line of communication by land. It circles Manchuria, where more than 75 million Chinese live, compared with only 11 million inhabitants scattered across East and Far East Siberia. The alternate means, other than by air, is by sea. This requires transiting half the globe through the Suez Canal, the Indian Ocean, the Malacca Strait, the South and East China Seas, culminating in the Tsushima Strait between Korea and Japan, which Tokyo and Washington can jointly obstruct.

To be sure, Beijing's claim of "a million Soviet troops" confronting it overstates the case by a factor of two. Fewer than 500,000 are estimated in the ground forces as against three times that number on the Chinese side. Nevertheless, this is a sizable contingent, requiring a major investment for the supporting infrastructure in a region with a chronic food deficit and low economic development. Moscow is not likely to accede to Beijing's demand that it be reduced to the 15 or so divisions that were there before 1965. The cost of its continued presence is of relatively little consequence as against the initial cost of emplacement.

Over time, Moscow has added air and missile forces with an impressive multiple of retaliatory power to deter Chinese use of a slowly expanding nuclear-weapons inventory. In addition, this buildup permits Soviet power to be projected throughout East Asia, potentially targeting American bases in Korea,

9. For a detailed examination, with maps, of this obscure area, see John W. Garver, "The Sino-Soviet Territorial Dispute in the Pamir Mountains Region," *China Quarterly*, no. 85, pp. 107-18 (Mar. 1981).

10. The distribution of Soviet forces may be found in Shigeo Hiramatsu, "A Chinese Perspective on Sino-Soviet Relations," *Journal of Northeast Asian Studies*, 2(3):60-62 (Sept. 1983).

Japan, and the Philippines, as well as American naval forces in the west Pacific. These regional and global strategic considerations reinforce the utility of SS-20s and Backfire bombers in Siberia and the Soviet Far East, further reducing the probability of any major reduction in force in response to Chinese demands.

The only likely concession to Beijing is a freeze on further deployment in the region, perhaps accompanied by a symbolic transfer of troops from military to civilian assignments associated with Siberian development. Engineering, construction, and timber felling face serious labor shortages, which block exploitation of the region's rich resources. Detailing troops to such work would still leave them available for military duty on short notice, should that need arise.

Of China's three demands for normalized relations, the reduction of Soviet troops is the one most immediately relevant to Chinese security. It is also the only issue readily susceptible to bilateral negotiations. But Beijing's call for the removal of Soviet forces from Mongolia introduces the dimension of a third country, which further complicates the problem. Ulan Bator recently reiterated its 1978 declaration that this troop withdrawal "entirely lies within the internal competence of the Mongolian People's Republic."[11] China's adherence nonetheless to this demand raises doubt as to the seriousness with which it views the larger question, particularly since only three Soviet divisions are in Mongolia facing 10 times that number in north China.

Indeed, there is little in Chinese words or behavior to suggest genuine alarm over the disposition of Soviet military force or its likely use in the near future. On the contrary, for the past 10 years public propaganda and officials in Beijing have played down the immediate threat while professing concern over the long-run implications should Soviet hegemony encircle China.[12] No notable increases in military expenditures have occurred during that time except in connection with the brief attack on Vietnam in 1979. No major purchases abroad of military equipment have taken place up to 1984.

Instead Chinese analyses dwell on Moscow's problems at home and abroad, including Poland, the Middle East, and Afghanistan. In addition, Beijing's deterrent capacity is growing and may be thought invulnerable to a Soviet first strike. At a minimum, Irkutsk, Khabarovsk, and Vladisvostok lie within ready striking range of Chinese missiles. A nuclear attack on any one of the three could cripple the base of Soviet power in the Pacific. After that attack Moscow would have to contend with the largest army in the world backed by a population of 1 billion. These factors justify Chinese confidence in the present balance of power as sufficient, at least for the near future.

Thus territorial and troop issues are not contributing to Sino-Soviet tension as they were a decade or more ago, although they remain important items on the agenda for negotiations. They require concessions on both sides if they are to be resolved. These concessions may be politically difficult in the two capitals, because they involve matters of nationalistic sensitivity as well as na-

11. Mongolian government statement transmitted by Montsame in English, 2 Mar. 1984, in *Daily Report: Asia and Pacific*, 5 Mar. 1984, p. F1.

12. Garrett and Glaser, chap. 3.

tional security. But they are not so volatile as to cause an increase in confrontation, much less open conflict.

THE CHANGING AGENDA: IDEOLOGY AND NATIONAL INTERESTS

Long before Mao raised the territorial issue, he accused Moscow of ideological heresy, specifically anathematized as "Khrushchev revisionism." In Beijing's polemic, this alleged betrayal of Marxism-Leninism raged throughout the 1960s and continued until Mao's death in 1976. Then the issue quietly faded from Chinese media. Attacks on the Kremlin leadership ceased to have any domestic content, focusing instead solely on Soviet foreign policy and its threat to world peace.

In part this change of focus followed China's becoming somewhat revisionist itself. Post-Mao economic reforms aimed at stimulating production through material incentives with the virtual abandonment of communes as key decision-making bodies. But contrary to American perceptions, ideology was neither the binding force in Sino-Soviet relations nor the main disruptive agent that split Moscow and Beijing. I addressed this same topic at the American Academy of Political and Social Science in 1958 and challenged the then-existing assumption that a common Communist belief cemented the alliance with common goals. Instead, I argued, "the first decade of the Moscow-Peking axis suggests that in this respect, relations between Communist partners resemble those between capitalist states in the existence of conflicting national interests." [13]

13. Allen S. Whiting, "Dynamics of the Moscow-Peking Axis," *The Annals* of the American Academy of Political and Social Science, 321:103 (Jan. 1959).

Today this observation is commonplace. It is underscored by the fact that among Asia's various points of contention the sharpest are between China and Vietnam, on the one hand, and China and the Soviet Union on the other hand, the two disputes being fused through the Soviet-Vietnamese alliance. There is no better evidence of ideology taking second place to conflicts of national interest; nor is there a more dramatic demonstration of convergent national interests taking priority over ideology than Mao Zedong receiving Richard Nixon in Beijing—unless perhaps it is Premier Zhao Ziyang welcoming President Ronald Reagan.

Of course, ideology was not wholly irrelevant as an issue. So long as it resounded through Chinese rhetoric, it impeded exploration of ways to reduce Sino-Soviet tension through bilateral exchanges. Its disappearance freed the agenda for more tangible matters of national interest. But, precisely because these issues concern concrete national interests, they are very difficult to resolve. When they involve third countries, the difficulty is compounded. Only unilateral concession or third-party participation can bring agreement.

Let us take, for instance, Afghanistan. Can Beijing hope to induce Moscow to withdraw either through negative pressure or positive persuasion? Clearly this demand is of political, not military, importance, regardless of Chinese assertions to the contrary. The narrow finger of Afghanistan known as the Wakhan Corridor adds a minuscule point of access to China for Soviet forces, as against the virtually open sweep possible across the vast Xinjiang and Mongolian borders. As such, Beijing's Afghan demand is not likely to be negotiated, much less won. At a minimum it is a useful polemical

club. At most it may be a bargaining chip to be traded for something else.

But if that something else is withdrawal of support for Vietnam's occupation of Kampuchea, as stated by China, agreement seems equally remote. Moscow would lose access to Cam Ranh Bay, that warm-water port that Russian and Soviet leaders have sought for nearly a century. Soviet air and naval projection in South as well as Southeast Asia would shrink to insignificance instead of enjoying the prospect of continual growth. Moreover, Moscow's credibility as an ally would suffer the worst blow since Khrushchev's withdrawal of missiles from Cuba in 1962.[14]

For Vietnam the issue of Kampuchea has transcended all other foreign and domestic priorities. Hanoi resisted Chinese attack in 1979 and threats of a second lesson subsequently. It has rejected annual United Nations resolutions since then. It adamantly opposes proposals from the Association of Southeast Asian Nations that raise the prospect of Hanoi's losing control of Phnom Penh. It continues to field 180,000 troops in Kampuchea and 200,000 opposite China five years after the initial engagements on both fronts. Under these circumstances the prospects of détente between Hanoi and Beijing are bleak in the near future, and concomitantly so are the prospects of agreement between Moscow and Beijing on Vietnam.

PROLONGED DEADLOCK: NORMALIZED RELATIONS?

Our review of the changing agenda posited by Beijing for the normalization of relations with Moscow suggests the possibility of minor movement on troop levels, but little else of significance. Border differences could be readily resolved if there were a will to do so; however, they seem locked into the larger conflicts of national interest where no agreement is likely for years to come.

This deadlock is reinforced by domestic factors in both countries. In the Soviet Union the rapid succession from Brezhnev to Andropov to Chernenko inhibits any bold change of policy where national sensitivity and security are so involved with China. Nor is the prospect of longevity and strong leadership enhanced by Chernenko's incumbency. Thus the risks of change encourage playing it safe with past and present positions so far as individuals are concerned. This is probably the way it is argued collectively in the politburo as well.

In Beijing, economic modernization is the highest priority of policy. This requires dependence on external sources of capital and technology. Those sources—whether American, Japanese, or West European—are encourged by assurances that Beijing is not expecting a rapprochement with Moscow. The Americans in particular welcome evidence of China's tilt toward the United States in a tacit, anti-Soviet alignment. Access to external capital and technology is a powerful incentive for recalcitrance on Beijing's three demands on the Soviet Union.

Against these immobilizing factors on both sides, there is an absence of anxiety over the actual state of relations to impel compromise. It is 15 years since the two premiers, Alexei Kosygin and Zhou Enlai, met suddenly in the Beijing airport to halt the escalation of tension that had threatened to erupt into war throughout 1969. Nothing has occurred

14. For Castro's recent criticism of Soviet behavior, see Ted Szulc, "Friendship Possible, but . . .," *Parade*, 1 Apr. 1984, p. 5.

since then to reawaken that level of concern.

On the contrary, Beijing and Moscow seem able to improve state relations despite a deadlock on issues of such moment as disputed territory, troop concentrations, Afghanistan, and Kampuchea. Trade occurs across the Manchurian and Xinjiang borders after 15 years of interruption. The total amount exchanged between the Soviet Union and China is a minor fraction of their global trade, but it is nonetheless steadily increasing in quality and quantity. Of all Chinese students abroad currently, the percentage in the USSR is infinitesimal, but even a token presence represents a symbolic step of some significance. Finally, an apparent moratorium on the mutual denunciation of society and values, replaced with reasonably factual accounts of life across the border, opens the way for a more relaxed relationship as befits two neighbors of such size and ideological similarity.

Seen in this context, the deadlock in Sino-Soviet negotiations takes on the appearance of a normalized relationship. Certainly it is normal for nations, especially major powers, to contest for influence and perhaps control in third countries. It is also normal for them to safeguard against a powerful neighbor by appropriate political and military postures that deter, but do not provoke or invite, attack. For the Chinese at least, it is even normal to engage in prolonged diplomatic exchanges with an adversary without giving in to the other side or to one's own sense of impatience. Fifteen years of Sino-American ambassadorial talks and similarly extended Sino-Indian border negotiations provide ample proof in this regard. Whether they also provide a precedent for Sino-Soviet negotiations remains to be seen. Moreover, this style of what might be called nonnegotiating behavior is very familiar to Moscow, even if it becomes frustrating at times.

AN AMERICAN CONNECTION?

Reference to the prolonged Sino-American ambassadorial talks provides a reminder that the sharp escalation in Sino-Soviet tensions opened the way for a Nixon-Mao handshake after more than two decades of conflict and confrontation. This union launched the era of triangular diplomacy as successfully exploited by Henry Kissinger and, to a lesser extent, Zbigniew Brzezinski.

It is not surprising, therefore, that signs of improved Sino-Soviet relations raise questions about the role of American policy either in causing that improvement or, preferably, in halting it. The causal connection is often assumed to be Taiwan. Simply put, the more Washington worries Beijing over American intentions concerning Taiwan, the greater Beijing's alleged inclination to seek an accommodation with Moscow. Former President Richard Nixon put this bluntly in commemorating the tenth anniversary of the Shanghai Communiqué,

> It would be the height of folly to try to 'save' Taiwan at the cost of losing China. If China slipped back into the Soviet orbit, the balance of power in the world would be overwhelmingly shifted against us.[15]

The implication that the United States has China to lose is as specious now as it was in 1949 when Nixon and others first raised the cry, "Who lost China?" Against that precedent, the irony of Nixon's more recent concern coming

15. *New York Times*, 28 Feb. 1982.

under a Republican administration is worth noting. Perhaps his rhetoric, however inappropriate, deliberately targeted President Reagan's consciousness, much as in 1972 when Nixon won Reagan's support through a similar argument.[16] Yet, setting aside for the moment China's purported weight in the global power balance, are Sino-Soviet relations so simply and directly a function of Sino-American relations as this argument asserts?

Our examination of the changing agenda suggests the contrary. The issues outstanding between Beijing and Moscow, whether bilateral or trilateral, preclude China's slipping back into the Soviet orbit. Moreover, that figure of speech, "the Soviet orbit," with its implications of a stronger power dominating a lesser one, is antithetical to China's experience of the 1950s and Chinese pronouncements of the 1980s.

To take the pronouncements first, Deng Xiaoping employed his uniquely pithy language in addressing the Twelfth Congress of the Chinese Communist party:

> No foreign country can expect China to be its vassal or expect it to swallow any bitter fruit detrimental to its own interests.[17]

Secretary-General Hu Yaobang echoed this stance in a somewhat overstated assertion:

> In the thirty-three years since the founding of our People's Republic, we have shown the world by deeds that China never attaches itself to any big power or group of powers, and never yields to pressure from any big power.[18]

These declarations have since become the leitmotiv of official statements and academic analyses.

Hu's words to the contrary notwithstanding, the lessons learned from having attached itself to the Soviet Union are precisely what prompt Chinese determination never to repeat that experience. Aside from whatever deterrence and defensive power Moscow may have provided against the early fears of an American-Taiwan attack, the memory and perception in Beijing of that relationship are studded with neglect, if not betrayal, of China's national interests. Foremost, of course, was the failure to acquire Taiwan, initially because the North Korean attack triggered President Truman's imposition of the U.S. Seventh Fleet in the Taiwan Strait. By 1958-59, however, suspicion arose that Nikita Khrushchev placed détente with President Eisenhower ahead of China's goal of territorial unification and final victory in the civil war.

Then Moscow's public stance of neutrality after Sino-Indian border clashes in 1959 similarly put the alliance second to Soviet interests in South Asia. By 1962 the Soviet supply of high-altitude military transport helicopters and negotiations for a MIG jet fighter factory in India convinced Beijing it faced a second opponent as well in its fight with India

16. Helene von Damm, *Sincerely, Ronald Reagan* (Ottawa, IL: Green Hill, 1976), pp. 75-76, quotes a letter from Reagan to M. Stanton Evans: "Stan, let me suggest something about the China visit that unfortunately the President can't say.... The President, knowing of the disaffection between China and Russia, visits China, butters up the warlords, and lets them be, because they have nothing to fear from us. Russia, therefore, has to keep its 140 [*sic*] divisions on the Chinese border; hostility between the two is increased; and we buy a little time and elbowroom in a plain, simple strategic move."

17. *Beijing Review*, 6 Sept. 1982, p. 5.

18. Ibid., 13 Sept. 1982, p. 33.

over disputed territory in the Himalayan heights.

Appreciative as many Chinese were of the availability of Soviet credit, technology, and training when the American embargo sought to strangle economic recovery during the 1950s, the Soviet withdrawal of all assistance, human and material, in 1960 added injury to insult. Following abrogation of the nuclear-weapons sharing agreement in 1959, such a complete withdrawal left a searing memory of how foreign dependence can become a foreign weapon. In the context of economic collapse caused by Mao's ill-fated Great Leap Forward, the Soviet pullout of help from dozens of half-finished factories provided a visible reminder of how little lay behind protestations of Communist unity and monolithic solidarity.

In short, there is nothing in the likely course of American words or actions, now or in the future, which will drive Beijing into the arms of Moscow. The triangular image is wrong to the extent that it depicts a physical object whose respective sides must lengthen or shorten responsively to one another. The atmospherics and tactics of policy can affect the Communist interaction, but in the fundamental sense of strategic orientation implied in the Nixon imagery of an orbital domination, Sino-Soviet relations are not that susceptible to American influence, positive or negative.

CHINA'S STRATEGIC SIGNIFICANCE

Nevertheless, is Nixon right in saying "the balance of power in the world would be overwhelmingly shifted against us" were a Sino-Soviet rapprochement to occur? A recent study by Banning Garrett and Bonnie Glaser calls attention to the changing calculus of power in different contexts ranging from peace to attack, prolonged war, and a postwar situation.[19] Simplistic images of 1 billion Chinese tying down one-third to one-fourth of Soviet military power suggest that these units of people and power would be turned against the West should Moscow and Beijing patch up their differences.

But just as China will never again make its security dependent on a Soviet alliance, so too the Kremlin will never place its Far East holdings at the mercy of Beijing. As we have already shown, an agreement to reduce forces in mutual confrontation will not demilitarize the Sino-Soviet frontier like its American-Canadian counterpart. The strategic arrangement of Soviet air and missile power will remain, ostensibly justified by the exigencies of the global confrontation with the United States. Such ground forces as might be redeployed elsewhere would be hardly sufficient to impact significantly on local, much less widespread, confrontation.

Nor is China's weight—present and prospective in this decade—a major factor in global power considerations. Its ground forces fared poorly against Vietnam in 1979. Its air and naval power is 20 years behind that of the superpowers. Its power projection is limited to a few hundred miles beyond China's borders. Measured in any dimension of modern military force, the People's Liberation Army is massive in size but minuscule in power except when compared with its immediate neighbors in South and Southeast Asia.

These calculations change drastically, however, in a wartime context. No Kremlin contingency plan for war with

19. Garrett and Glaser, pp. 7-12.

the United States can fail to take account of a possible Chinese attack at some stage after the initiation of Soviet-American hostilities. This will apply whether there is a Sino-Soviet détente or not. The temptation will be great for Beijing to remove, once and for all, its fear of Soviet hegemony by taking advantage of Moscow's vulnerability after a superpower nuclear exchange. The prospect of Beijing passively accepting a possible Soviet victory over the United States, thereby leaving the USSR as the virtual ruler of the world, is remote, to say the least.

It is in this second-stage war and postwar context that China's strategic weight figures significantly, perhaps decisively, in Soviet calculations. But this contingency is independent of Sino-American relations. China's concern over Soviet domination will obtain regardless of how Washington and Beijing manage their political and military relations. How and when China will act on that concern will be a function of Chinese decisions at the time and not of any prior discussions or understandings that might be arrived at with American officials. Just as Chinese security will not rely on Russian promises, so too it will not be linked to American assurances either.

In short, the very fact of China's existence as a potentially hostile neighbor, with a growing inventory of nuclear weapons and inexhaustible reserves of manpower, helps to deter Soviet initiation of global war. This fact will be of increasing importance as Chinese economic and military modernization strengthen Beijing's capacity to exploit that war to its own advantage. It is in this context that U.S. policy should frame its strategic relationship with the People's Republic, rather than tune it to the tactical and transient shifts in Sino-Soviet relations.

IMPLICATIONS FOR U.S. POLICY

It should be clear by now that the United States can influence, but not determine, how Moscow and Beijing will interact. We may have been responsible for the initial Sino-Soviet alliance, although even that is still the subject of historical inquiry and dispute. But we cannot take credit for its erosion in 1959-60. Nor, contrary to the assertions of former White House aide H. R. Haldeman, did we block a Soviet attack on China in 1969.[20]

This does not mean that what occurs between Moscow and Beijing is irrelevant to U.S. policy. On the contrary, we were justifiably concerned with the emergence of the alliance in 1950, with all that portended for the political power, perceived and actual, of communism in what was then known as the Afro-Asian world. The consequences in Korea and Indochina were immediate. Fortunately the impact elsewhere, particularly among the Communist insurgencies of Asia, proved less far reaching.

Conversely, the Sino-Soviet split relieved U.S. military planners of a major threat from coordinated actions by the two Communist powers. More important in practical terms, it opened American policy to the prospect of restored relations with mainland China. This offered a host of political and economic gains in itself, as well as in negotiations with the Soviet Union. The deferral of Taiwan as an issue to be resolved on China's terms occurred primarily because of concern in Beijing

20. H. R. Haldeman with Joseph Dimona, *The Ends of Power* (New York: Times Books, 1978), pp. 93-94.

over a Sino-Soviet conflict. Without that context the Shanghai Communiqué could not have occurred.

Therefore we must assess the prospect for Sino-Soviet relations and how they are likely to affect our interests as well as those of our friends and allies in Asia and elsewhere. But we need not regard the triangular relationship as a zero-sum game wherein any improvement in Sino-Soviet affairs is a gain for Moscow and a loss for Washington or vice versa. On the contrary, we share an interest in reduced tension between the two Communist countries if that reduces the risk of clashes that might escalate. No one will benefit should these massive nuclear powers go to war. A genuine border settlement would be a welcome step in this regard.

To go a step further, the positive side of a mutual force reduction could raise the possibility of Chinese participation in Soviet and American arms-control negotiations. While this is a most unlikely prospect, its essentiality is manifest in the separate positions struck in Moscow, Washington, Beijing, and Tokyo concerning the disposition of SS-20 missiles. So long as the Sino-Soviet confrontation continues, these missiles can justifiably be deployed in East and Far East Siberia, regardless of their threat to Japan or their potential return to European Russia.

Should a Sino-Soviet détente go beyond the issues of territory and troops, third-country matters might be addressed to the advantage of American policy interests. An agreement on the Korean peninsula for cross-recognition of north and south by the respective patrons in Moscow, Beijing, and Washington requires a prior willingness to reduce Chinese and Soviet competition for Pyongyang's favor. Neither Moscow nor Beijing wants war in the peninsula, both being committed to defend the north under such circumstances. But neither can formalize the status quo on a two-Korea basis so long as both remain rivals for influence in the north, which adamantly rejects the status quo.

An equally intractable but greater strategic problem might prove possible of solution through a *modus vivendi* on Indochina that would remove the Soviet military presence there. This solution is impaled on a third-country relationship. As suggested earlier, such an arrangement would probably require Sino-Vietnamese détente prior to or coincident with Sino-Soviet détente, a highly remote contingency, but one not wholly beyond the realm of possibility.

This is not to suggest that Sino-Soviet negotiations will lead to any of these eventualities, much less all of them. However, in the absence of such negotiations, none of them can occur. Deadlock is not in itself inimical to our interests, but neither is it an unmixed blessing that we should seek to perpetuate by our interactions with either side.

This argument in turn frees us to assess our relations with China in contexts other than the Sino-Soviet relationship. Whether we sell arms to Beijing and what the nature of those arms is should be primarily a function of how our friends and allies in Asia view the situation as China's most immediately concerned neighbors.[21] How we adjust

21. For a thorough examination of this issue from varying viewpoints, see *The Implications of U.S.-China Military Cooperation* (Washington, DC: Government Printing Office, 1981), a collection of papers from a workshop sponsored by the Committee on Foreign Relations of the U.S. Senate and the Congressional Research Service of the Library of Congress; see also *China Policy for the Next Decade: Report on the Atlantic Council's*

our trade balance with China should depend on how that affects our domestic economy as well as China's competitors. How we manage our Taiwan relations should turn on our obligations under agreements concluded with the People's Republic.[22]

Happily, we are past the time of maximum turbulence in the so-called strategic triangle. Sino-Soviet and Sino-American relations are already normalized, Chinese rhetoric to the contrary notwithstanding. This is in the interests of all concerned. We have no reason to fear improvement on any of the triangle's three dimensions. Indeed, peace and stability in Asia and the world may well be served by an improvement in the dimension under immediate examination, the Sino-Soviet relationship.

Committee on China Policy (Washington, DC: Atlantic Council, 1983).

22. For greater detail, see Allen S. Whiting, "Sino-American Relations: The Decade Ahead," *Orbis*, 26(3):697-720 (Fall 1982); and idem, "PRC-Taiwan Relations, 1883-93," *SAIS Review*, 3(1): 131-46 (Winter-Spring, 1983).

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QUESTIONS AND ANSWERS

Q (Dario Scuka, Library of Congress, Washington, D.C.): Unlike old-fashioned diplomacy, which was conducted in good taste, current relations seem to be conducted with a high-pitched rhetoric that translates into headline banners. What discount would you give to rhetoric from Moscow, Peking, or Washington?

A: I think one has to be very cautious in discounting rhetoric. It tends to be self-confirming and self-convincing. If it is repeated often enough, the agency that puts it out forgets that it was a line and accepts it as reality. It also is something that tends to bind the bureaucracy, so while leaders may "know better" the followers cannot be clued in.

Q (Murray McLean, Embassy of Australia): What precisely is a normal state of relations between the Soviet Union and China?

A: I would define the present situation as normal: as a portion of their total foreign trade, the trade levels between the two countries are very small. I do not expect Sino-Soviet trade to equal Sino-U.S. trade, much less Sino-Japanese trade, which is, as you know, one-fourth of China's foreign trade. I do not expect that there will be 12,000 Chinese studying in the Soviet Union as there are in the United States. I do think that these two neighbors are going to learn to live with each other and make the most of it in trade and other fields of interaction. But as far as competition in third countries is concerned, it has become increasingly intense in North Korea in the last two months. It is certainly at a deadlock in Vietnam. In other words, China and the Soviet Union are major competitors in all of their international relationships.

Q (Mr. Gilliam, Virginia Military Institute, Lexington): I had the privilege before Pearl Harbor of knowing some army officers who had served in China, who knew the language—they could be referred to as the old China hands. I wonder if there are Americans still left who can really understand what is going

on in China. I would like to think there are people in China, like some of the Chinese students who graduated from the Virginia Military Institute a few years back, who would be able to go back to China and advise their government about the United States.

A: I might say that the American corps of old China hands has survived somewhat better than the China corps of old American hands—not much, but somewhat. We do not kill our China experts, we only persecute them, purge them from government jobs, and deny them academic positions. In the 1950s we virtually ostracized them from our society. One of the great survivors of that period, of course, is the now retired professor John Fairbank of Harvard; others are retired foreign service officers O. Edmund Clubb, John Paton Davies, John Stuart Service at Berkeley, Ed Rice in the San Francisco Bay area, and there are others still. But we did a very thorough hatchet job on that China community between 1949 and 1959. On the China side, they literally did eliminate experts on the United States during the Cultural Revolution. They had some driven to suicide. Some of the experts can still be found, rehabilitated in various institutes; however, their physical and mental powers are not always what they were before. I do not think there is much chance of putting together the alumni of those previous years and reestablishing U.S.-China relations on that ground. In fact, one of the problems is indeed the education of Hu Yaobang and Zhao Ziyang, of a generation of leaders. Zhou Enlai was singular in this regard in that he was one of the few genuine statesmen in the Mao government with a sophisticated familiarity with the world. Deng Xiaoping is certainly not of that same stamp at all. We, in effect, have been learning anew over this last decade, and I appreciate the way Professor Chang emphasized the cycles in the U.S.-Chinese relationship—first the hatred, then the euphoria, and now the realistic balance between the two.

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U.S.-China Relations: From Hostility to Euphoria to Realism

By PARRIS H. CHANG

ABSTRACT: For the leaders in Beijing, the People's Republic of China has no eternal allies or perpetual enemies; only its interests are permanent. This principle has guided China's external relations in the past three decades and has shaped its alignments with the USSR, the United States, and other major powers. Foreign policy of the People's Republic will be influenced by these objectives: containment of Soviet expansionism; acquisition of foreign capital and technology to accelerate China's program of modernization; and Taiwan's reunification with the mainland. The United States is a crucial factor in each of these national objectives; hence Beijing seeks good relations with Washington. For domestic reasons, Beijing has inflated the importance of Taiwan in Sino-U.S. relations, but an agreement in August 1982 has provided a framework to manage Sino-U.S. disagreement about Taiwan. Sino-U.S. relations have improved markedly, as attested by the Zhao-Reagan exchange of visits and increasing economic cooperation.

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Who are our enemies? Who are our friends? This is a question of the first importance for the revolution. . . . We must pay attention to unifying with our real friends in order to attack our real enemies.

Mao Zedong, 1926[1]

ALLY OR ENEMY?

To Chinese Communist leaders in Beijing, the People's Republic of China (PRC) has no eternal allies nor perpetual enemies; only its national interests are permanent. In more than three decades after the establishment of the Communist regime, PRC foreign policy has undergone several major shifts as Beijing's perception of external threats has changed and it has redefined enemies and friends.

From 1949 until the late 1960s, PRC leaders were vehemently anti-American. They perceived the United States as China's archenemy; they accused the United States of occupying Taiwan and colluding with the Chinese Nationalist—Kuomintang (KMT)—government to invade the mainland; they attacked the United States for reviving Japanese militarism; and they denounced the United States as the chief bulwark of world reaction and the most vicious enemy of peace. In February 1950 Mao Zedong concluded with Stalin a 30-year Treaty of Friendship, Alliance, and Mutual Assistance. Ostensibly against Japan, the treaty was actually directed against the United States.

The Sino-Soviet alliance did pay handsome political, military, and economic dividends to the PRC. It gave the PRC a protective umbrella, which severely constrained U.S. policy during the Korean War and deterred the United States from directly attacking mainland China. It also enabled the PRC to obtain from Moscow a large amount of modern weapons and military equipment, which were crucial in sustaining Beijing's war efforts in Korea. Through the alliance, Beijing also secured much Soviet material and technical assistance for China's economic development in the 1950s.

The national interests of the two allies were not identical, however; even before the first decade of the alliance drew to a close, Beijing had become disillusioned. In the economic sphere, to Beijing's chagrin, the generosity of the Russian big brother was quite limited. During the Sino-Soviet honeymoon in the 1950s, Moscow provided only two loans—a five-year, $300 million loan in 1950 and another credit of $130 million in 1954—and was unwilling or unable to extend further assistance for China's economic development. Refuting Moscow's subsequent claim of disinterested assistance to China, Beijing pointed out that "far from being gratis, Soviet aid to China was rendered mainly in the form of trade, and it was certainly not a one-way traffic."[2] Beijing also asserted that the prices of many of the Soviet goods were much higher than those on the world market.

Yet the most acute conflict between the two allies centered around their disagreement on the strategy of world revolution, how to handle the United States, and a host of issues that related directly to China's national security. These issues included (1) Moscow's failure to back Beijing more positively during the 1958 Quemoy Crisis in the

1. "Analysis of the Classes in Chinese Society," *Selected Works of Mao Tse-tung* (Beijing: Foreign Language Press, 1967), 1:13.

2. *Peking Review*, 8 May 1964, p. 14.

face of U.S. nuclear threat against China; (2) Soviet unilateral termination in 1959 of a 1957 agreement to assist China's development of atomic weapons; and (3) Moscow's pursuit of détente with the United States, as manifested in Khrushchev's meeting with President Eisenhower at Camp David in September 1959, and in Moscow's decision, in spite of Beijing's repeated protest, to sign the 1963 limited nuclear test-ban treaty with the United States. The treaty was apparently perceived by Beijing as a U.S.-Soviet collusion against China and, to quote the words of an authority on Chinese foreign policy, probably constituted a "point of no return" symbolizing the end, for all practical purposes, of the Sino-Soviet pact as an operative alliance.[3] By then, if not earlier, the PRC leadership had apparently discounted the value and reliability of the USSR as an ally.

Moreover, a series of events between 1968 and 1970 forced Beijing to redefine China's friends and enemies and drastically change China's alignments with major powers of the world. These events were the Soviet invasion of Czechoslovakia; Moscow's proclamation of the Brezhnev Doctrine, which justifies Soviet intervention in other socialist states; the bloody Sino-Soviet border clashes; and the enunciation of the Nixon Doctrine, which foreshadowed U.S. disengagement from the Indochina war.

In the wake of Sino-Soviet military conflict in 1969, Beijing perceived a genuine danger of large-scale Soviet military action against China—including veiled threats of Soviet surgical operation against its nuclear-weaponry facilities—along with America's declining status as a superpower and its decreased threat to China. These perceptions led most Chinese leaders to agree that a drastic adjustment in relations with the United States and the West would be highly imperative in order to concentrate all forces on the deterrence of Soviet threat and on the opposition to Soviet hegemony. One important result has been China's opening to the West, with efforts at promoting a united front with the United States, Japan, and the North Atlantic Treaty Organization (NATO) against the USSR since the early 1970s.

3. A. Doak Barnett, "Peking and the Asian Power Balance," *Problems of Communism*, 25(4):38 (July-Aug. 1976).

PLAYING THE AMERICAN CARD

It has been just over 12 years since President Richard Nixon made his dramatic trip to China, during which he met with Mao and Zhou Enlai and signed the now celebrated Shanghai Communiqué. While the trip failed to measure up to the billing of "a week that changed the world," it marked the beginning of Sino-U.S. rapprochement and set in motion the process toward full diplomatic relations—which were consummated in late 1978—and future cooperation between the two former adversaries.

The reconciliation of the PRC and the United States, without any doubt, has been highly beneficial to both parties. Much has already been said about the diplomatic and security benefits that the United States has derived,[4] but there has been relatively little analysis regard-

4. See Richard H. Solomon, "The China Factor in America's Foreign Relations: Perceptions and Policy Choices," in *The China Factor*, ed. Richard H. Solomon (Englewood Cliffs, NJ: Prentice-Hall, 1981); Michel Oksenberg, "The Dynamics of the Sino-American Relationship," in ibid.; Strobe Talbott, "The Strategic Dimension of the Sino-American Relationship: Enemy of Our Enemy, or True Friend?" in ibid.

ing what the PRC has gained so far and what additional benefits it seeks.

President Nixon's visit to China alone greatly boosted Beijing's international status and strengthened its diplomacy in Asia and globally. For example, from 1972 onward, dozens of states in Asia, such as Japan; in Europe, such as Germany; and in Africa and Latin America established diplomatic ties with the PRC or switched diplomatic recognition from Taipei to Beijing. The thaw in relations between Washington and Beijing also made it possible for the PRC to develop and expand ties with many nations—Japan and Canada, for example—that may otherwise have been reluctant to move so fast.

The Sino-U.S. rapprochement has also enhanced the security interests of the PRC in a number of ways. For example, it precluded a collusion of the two superpowers against China. It also removed American military threat from the Taiwan Strait and the Pacific and thus enabled Beijing to reallocate its military forces and resources to concentrate on the USSR and, after 1978, Vietnam. In Beijing's calculus of decision, the United States has become a strategic counterweight to the USSR; for example, without normalization of relations, Beijing might not have felt confident enough to launch the punitive war against Vietnam in February 1979. Inasmuch as the Chinese action was taken a few weeks after Deng Xiaoping's tour of the United States, where he openly spoke of teaching Vietnam a lesson, and conveyed a strong impression that the United States was behind such a move, the USSR may have been deterred by China's relationship with the United States. Moscow was, after all, quite restrained in its response to China's attack on Vietnam, a Soviet ally.

The improvement in Sino-U.S. relations has enabled Beijing to approach Moscow from a position of strength and play the game of balance of power. Without the U.S. connection, the PRC would be at considerable disadvantage in its negotiations on normalizaiton of relations with the Soviets; it would certainly not be in a good position, as it is now, to set the tone of the negotiations.

To succeed in its drive toward modernization—which will have important bearing on the legitimacy and viability of the Deng Xiaoping leadership group and which is therefore a top government priority—China must have access to advanced Western technology. Deng and his associates count on the West, especially the United States, to help train a new generation of Chinese scientists and engineers and hope to use Western capital, technology, and expertise to speed up Beijing's program of four modernizations. Already the PRC has gained a great deal. Currently, more than 12,000 students or researchers from the mainland are in U.S. universities and institutions for advancement and research in the fields of science, technology, and engineering. In addition, since the fall of 1983, the Reagan administration has relaxed controls on U.S. exports and has put the PRC in the category of nonaligned but friendly nations—which also includes Egypt and India—in order to facilitate transfer of technology to the PRC.

BEIJING'S DISAPPOINTMENTS CONCERNING TAIWAN

Ever since President Nixon's trip to the PRC in 1972, Beijing has attempted

to use its American connection to isolate diplomatically the Republic of China (ROC) and facilitate Taiwan's return to the mainland. The normalization of U.S.-China diplomatic relations in January 1979 was a major step toward realizing this important objective. Perhaps much to the astonishment and disappointment of some PRC leaders, Taiwan, in spite of diplomatic setbacks, has remained politically resilient and economically prosperous and has persistently rejected Beijing's overtures of peace.

In order to weaken Taiwan's defenses, demoralize its people, and force the KMT authorities to the negotiation table, Beijing has, since 1981, mounted an intense campaign to press the Reagan administration to cut off arms sales to the ROC. For instance, Chinese premier Zhao Ziyang demanded that the United States set a timetable to phase out military sales to Taiwan when he met President Reagan at the Cancun North-South Conference in October 1981. Foreign Minister Huang Hua reiterated the demand during a heated White House meeting not long afterward and threatened to downgrade diplomatic relations if the United States approved the sale of advanced fighters such as the FX, as requested by Taiwan.

Mindful of Beijing's sensibilities, President Reagan made a difficult decision in early 1982, in which he rejected the FX sale to Taiwan, but allowed Taiwan to continue coproduction of F-5E fighter planes. The compromise failed to placate Beijing and in ensuing months, amid threats of diplomatic rupture, the PRC government pushed the United States relentlessly to set a cutoff date for U.S. arms sales to Taiwan.

After 10 months of intense negotiation and hard bargaining—including a special trip to Beijing in May 1982 by Vice-President Bush to hold discussions with the Chinese leaders—the United States and the PRC issued a joint communiqué on 17 August 1982 and momentarily headed off an imminent diplomatic crisis. The communiqué was by no means an American sellout, but it did make new and significant concessions to the PRC, thereby contradicting virtually every campaign promise that candidate Reagan had made on Taiwan less than two years before. While the United States refused to set an explicit cutoff date for its arms sales to Taiwan, it declared for the first time its intention to restrict its arms supplies at current levels of quality and quantity and to reduce the sales gradually, "leading, over a period of time, to a final resolution."[5] Such a pledge softens, hence violates, a firm U.S. commitment to provide Taiwan with "sufficient" defensive capacity as explicitly mandated by the Taiwan Relations Act (TRA).

In return for the U.S. pledge, there was an implicit, ambiguous promise by the PRC to strive for a peaceful solution to the Taiwan question. Like the 1972 Shanghai Communiqué, the 1982 document is essentially also an agreement to disagree—hence its nickname, Shanghai II—because it too contains highly ambiguous provisions that are subject to conflicting interpretation. For example, while U.S. officials, including President Reagan himself, maintained that the U.S. pledge to reduce arms sales to Taiwan would be linked to Beijing's commitment to peaceful resolution of Taiwan's future, Beijing has denied and

5. "Sino-U.S. Joint Communique (August 17, 1982)," *Beijing Review*, 23 Aug. 1982, p. 14.

rejected such linkage.[6] In a speech in New York in January 1984, Chinese premier Zhao Ziyang once again stated Beijing's position, saying China "cannot make a commitment to any foreign country that only peaceful means will be used in solving the Taiwan issue, because this is China's internal affair and within China's sovereign rights."[7]

To display its policy to seek a peaceful settlement of Taiwan's future, Beijing has in the past several years conducted a peace offensive to pressure the KMT into a reunification talk. Since 1981 Beijing has offered to let Taiwan keep its armed forces, autonomy, and socioeconomic system. In his speech in New York on 16 January 1984, Premier Zhao reiterated the proposal to the KMT:

> After the country is reunified, Taiwan, as a special administrative region of China, can retain much of its own character and keep its social system and life style unchanged. The existing party, government and military setups in Taiwan can also remain unchanged. The central Government will send no representatives or troops to station in Taiwan.
>
> Using the name of "Taiwan: China," Taiwan may also continue its external economic and cultural exchanges, and foreign investments in Taiwan will be fully protected. Of course, the People's Republic of China alone is to represent China on the international arena. In a word, neither party will swallow up the other.[8]

The response from Taipei has been a resounding no. Not a few KMT officials are aware that Taipei's automatic rejection of Beijing's overtures makes the ROC look unreasonably recalcitrant, put it on the defensive diplomatically, and could cost the support of public opinion in the United States. On the other hand, however, few among Taiwan's 18.5 million people desire reunification with the mainland under prevailing circumstances, and this very fact has precluded a more flexible response to Beijing's peace offensive. The KMT authorities do not want to undermine the popular support or even risk a possible popular uprising if the people misconstrue any display of interest in negotiation with Beijing as a prelude to a sellout.

Judging from my conversations with people on Taiwan from all walks of life in the past three years, reunification with the mainland is not an aspiration cherished by many. By Asia's standards, most people in Taiwan are doing well economically, much better than in the PRC. They view the three decades of Communist rule on the mainland, which has been punctuated by ultraleft excesses, brutal repression, purges, and large-scale sociopolitical turmoils, with disgust and apprehension. They listen to Beijing's offers for unification with a jaded ear and open derision. Most feel that, if Taiwan and the mainland are reunified, they will have little to gain, and much more to lose: private properties, freedoms, and high living standards.

It is also possible to surmise from my talks with Chinese Communist Party general secretary Hu Yaobang and many cadres at central and provincial bodies that the Chinese leaders do not fully understand the situation in Taiwan. Because of their ignorance, their proposal for reunification is highly unrealistic and unappealing, and their campaign approach is ineffective. For instance, given the public ballyhoo that

6. Ibid., pp. 15-16; see also "Commentary," *People's Daily*, 10 Oct. 1982.

7. *New York Times*, 17 Jan. 1984.

8. Ibid.

Beijing has made about its reunification proposal, it is impossible to tell whether it is interested more in scoring propaganda points or in serious negotiation. Important as reunification is, Beijing tends to treat it as an issue to be settled solely by leaders of the Chinese Communist Party and the KMT; it overlooks the fact that the KMT authorities, unlike the Chinese Communist Party leadership, do have to contend with the views of the people on Taiwan. Due to all of these factors, Beijing's reunification drive has hit a stone wall.

Lack of success notwithstanding, the campaign to reunite Taiwan with mainland China is sure to continue for years to come. For reasons pertaining to China's domestic politics, Beijing has attached exaggerated importance to the subject of Taiwan and has assigned it an inflated role in the Sino-U.S. relations. Inasmuch as the Chinese people are experiencng what the Chinese media call a crisis of belief and because the regime can no longer depend on Communist ideology to elicit popular compliance and cooperation, the regime has to manipulate symbols of nationalism and use appeals to patriotism for popular support. Emphasis on the reunification of Taiwan and, for that matter, of Hong Kong, well serves Beijing's current ideological and political imperatives.

Moreover, despite Deng's political eminence, he has encountered severe challenges from his political adversaries in the past several years, and his power could be jeopardized if he appears to have compromised China's national sovereignty and pride.[9] Thus, whereas it was possible for Mao to tell Nixon and Henry Kissinger in various meetings during 1972 and 1973 that Taiwan was not an important issue, that the issue of international relations was more important, and that "we can do without [Taiwan] for the time being, let it come after one hundred years,"[10] Deng does not seem to enjoy the same flexibility. This is why under Deng the PRC tends to push the United States much harder on the Taiwan question, demanding that Washington phase out the supply of arms and terminate the special ties with Taipei, which in the eyes of some Chinese leaders have impeded PRC efforts to recover Taiwan.

Such pressure has put the United States in a very difficult position and, consequently, has strained Sino-U.S. relations in the past three years. No American president can totally ignore the Taiwan Relations Act—an American law—which commits the United States to provide Taiwan with "such defense articles and defense services in such quantity as may be necessary for Taiwan's defense," and agree to cut off arms sales to Taiwan. Equally important, the TRA has also incorporated a special relationship between the United States and Taiwan; it calls for the United States to "resist any resort to force" against the people of Taiwan and declares that any such use of coercion to effect changes in Taiwan's status would be a matter of "grave concern to the United States." Not surprisingly, Beijing has attacked the TRA for having violated the 15 December 1978 Sino-U.S. agreement and China's sovereign rights.

9. For an analysis of the leadership of the People's Republic of China, see Parris H. Chang, *Elite Conflict in the Post-Mao China,* Occasional Papers in Contemporary Asian Studies, no. 2, 1983(55) (Baltimore: University of Maryland, School of Law, 1983), pp. 31-32.

10. Quoted in Solomon, "China Factor in America's Foreign Relations," p. 17.

The agreement between the two nations in August 1982 has defused, for the time being, the arms-sale issue as it has provided a framework to manage their disagreement over Taiwan. Sino-U.S. relations have improved markedly since the second half of 1983, as attested by the exchange of visits between Premier Zhao and President Reagan. Would the PRC be willing to put aside the differences over Taiwan and cooperate with the United States in areas of common and parallel interests? Or, would Beijing resurrect the issue of Taiwan and attempt to push Washington to go beyond the 1982 agreement? The answers to such questions are crucial to Sino-U.S. relations over the coming decade.

STRATEGIC PARTNERSHIP: REAL OR RHETORICAL?

A number of U.S. officials, notably Zbigniew Brzezinski, President Carter's national security adviser from 1977 to 1981, and General Alexander Haig, President Reagan's secretary of state from 1981 to 1982, used to place great emphasis on the strategic component of U.S.-China relations and sought to forge a U.S.-China strategic partnership against the USSR. In Beijing, Deng Xiaoping was known to favor close cooperation with the United States in order to contain Soviet expansionism. In an interview with *Time* in early 1979, for instance, Deng explicitly called for China, the United States, and Japan to "further develop the relationship in a deepening way" and "to unite" in order to "place curbs on the polar bear."[11]

Whereas the United States and China have cooperated on some security matters since 1979, the scope of their cooperation has been rather limited, and their highly touted strategic partnership has not been consummated. Moreover, because U.S.-China relations were strained in the past few years, both Beijing and Washington have shifted their foreign policy and have deemphasized the strategic aspect of U.S.-China relations. What happened to cause this shift?

Although Beijing has claimed time and again that the Taiwan question is the main obstacle in the growth of Sino-U.S. relations, the reality seems more complicated. The dispute over U.S. support is only one among many causes that have in the past few years impaired the Sino-U.S. relations, and it is as much a symptom as a cause of their differences. The Sino-U.S. rapprochement in the early 1970s was not a marriage made in heaven, but one of expediency. Likewise, a common concern with the Soviet expansionism was the principal motivating force behind the establishment of full diplomatic relations in 1978-79. Once the PRC improved relations with the United States and Japan, Beijing apparently felt strengthened and soon undertook a series of policy reviews to capitalize on its newly acquired position of strength.

The first clear sign of change was underlined by a major speech by Deng Xiaoping on 16 January 1980 to ranking cadres in which he singled out containment of hegemony, reunification of China, and modernization as the three top priorities for leadership for the 1980s, but he placed the emphasis on the third objective as the key to the fulfillment of the other two. To facilitate China's modernization efforts, according to Deng, the PRC would need a peaceful international environment. Thus the first round of talks began in the

11. *Time*, 17 Jan. 1979, p. 34.

fall of 1979 to normalize relations with the Soviets. With a shift in leadership priority, Beijing has no urgency nor strong incentives to forge an alliance with the United States that could provoke extreme Soviet countermoves.

Deng and other Chinese leaders appeared also to have been bothered by what they saw as the absence of a coherent U.S. global strategy and Asian policy. President Carter's unwillingness or inability to rescue U.S. hostages in Tehran, his weak reactions to the Soviet invasion of Afghanistan in 1980, and President Reagan's decision to lift the grain embargo against the Soviets in 1981 despite his tough anti-Soviet rhetoric served to further undermine Beijing's confidence in the U.S. ability or determination to cope with the Russians.

Moreover, Beijing was disenchanted by U.S. attempts to stand on China's shoulders to strike at the Soviet Union and was strongly resentful of Washington's overtly manipulative approach. There was disillusionment in Beijing, according to Secretary Haig's memo to President Reagan,

> "at the lack of tangible benefits to China in the technology transfer and economic modernization areas since normalization, and a perception that this administration, like the last, says it wants to further the process but in practice still treats China as an enemy."[12]

Indeed, despite the loud talk of strategic cooperation by officials in the Carter and Reagan administrations, the United States had refused to sell arms to China and took few other actions that would indicate to the PRC that the United States really wanted such a relationship. Haig's offer of limited arms sales to China when he visited Beijing in June 1981 was instantly and correctly seen as a transparent effort to mollify Beijing while continuing support for Taiwan.

As a result of all these factors, Beijing has sought to pursue an independent foreign policy and has downplayed its strategic cooperation with the United States. Instead, it has reasserted China's identification with the Third World and renewed rhetorical assaults on U.S. hegemony. Meanwhile, Beijing has also taken a less alarmist view of the Soviet threat and has probed the possibility for détente with Moscow, aiming at enjoying greater leverage and flexibility with both superpowers.

On the other hand, despite strong advocates like Brzezinski and Haig in the U.S. government, a policy of alliance with the PRC was never supported unanimously. Furthermore, Beijing's highly cautious reaction to U.S. proposals on joint actions—conveyed by Defense Secretary Harold Brown during his visit to China in January 1980—in the wake of the Soviet invasion of Afghanistan and Beijing's unwillingness to adopt a common stand with the United States during the Polish crisis in 1981-82 did much to discredit the advocates of the alliance policy. Many American analysts inside and outside the government have felt compelled to reexamine more critically various assumptions on U.S.-China security cooperation and the value of China as an ally against the USSR.

Already some China experts who used to work in the National Security Council under Kissinger and Brzezinski have concluded that the "China factor"

12. Tad Szulc, "The Reagan Administration's Push toward China Came from Warsaw," *Los Angeles Times,* 17 Jan. 1982.

in U.S. policy is "smaller than life."[13] To some experts, the change in China's policy priorities and an improvement in Sino-Soviet relations have placed limits on the Sino-U.S. strategic relationship. To others, China's modest military budget and relatively backward economic development inhibit its ability to build a modern and effective military establishment, and thus limit China's capabilities and international outreach and lessen its value as a counterweight to the Soviets. Other scholars have cautioned against too close a military alignment with China, lest such cooperation risk provoking extreme Soviet countermoves, such as instigation of North Korea's sense of military adventure. It could also alienate other Asian nations. Some members of the Association of Southeast Asian Nations and India, not to mention Taiwan, have been highly critical of the U.S. decision to sell arms to China.

Coinciding with such a reassessment of U.S.-China relations by experts outside the government, a reexamination of U.S. policy toward China was also under way inside the Reagan administration. Especially since George Schultz replaced Haig as the secretary of state in June 1982, a new U.S. policy toward Asia has gradually emerged. This policy attaches greater importance to a U.S.-East Asia partnership and regards the U.S.-Japan alliance as the cornerstone of U.S. defense policy in East Asia.[14]

This is not to say that the United States has ceased to value China's strategic importance and would forgo the opportunities of security cooperation with China; quite the contrary. Undoubtedly the United States continues to see China as a very important factor in Asia and seeks to cooperate with her and her other allies to enhance security and peace in that region, but unlike in the past, the United States will not chase a rainbow and strive for something unattainable.

Nonetheless, certain strategic ties between the two nations continue. In addition to maintaining regular contacts between their ranking defense and intelligence officials, both sides cooperate to monitor Soviet military moves and share intelligence about the USSR and Vietnam. The United States has also liberalized the transfer of high technology, including civilian-military technology, to China. Furthermore, earnest negotiations on the transfer of U.S. arms to the PRC are underway; it is only a matter of time before such a transfer will actually take place.

One hastens to add, however, that their security ties will remain quite modest. Having gone down a rocky road in the past several years, both sides are sober and realistic enough to know what is feasible and desirable. There are clear indications from the Zhao-Reagan exchange of visits that both sides have chosen to emphasize their economic cooperation.

LESSONS TO BE LEARNED

U.S.-China relations since 1972 have been marked by many ups and downs.

13. See Solomon, "China Factor in America's Foreign Relations."

14. See the speech by Secretary of State George Schultz, "The U.S. and East Asia: A Partnership for the Future," *Current Policy* (U.S. Department of State), 5 Mar. 1983; see also Robert A. Manning, "China: Reagan's Chance Hit," *Foreign Policy*, no. 54, pp. 85-87 (Spring 1984).

After two years of deterioration in the early 1980s, there has been a significant upturn. A number of bilateral agreements on trade, industrial and technological cooperation, and economic matters since the summer of 1983 and particularly since the Zhao-Reagan visits underlie the positive trend. Both sides have acquired a better appreciation of the fundamental importance of their friendship, which is not only in the best interests of the two nations, but also in the interests of peace and stability in Asia.

While it is desirable to consolidate the new gains and expand their ties, it is equally important that both sides avoid highly inflated and unrealistic expectations. They also have to realize that, given their different political and belief systems and different foreign policy priorities and commitments, they are bound to differ over many issues and that their continuing disagreements could from time to time affect their relations adversely.

Because the PRC pursues an independent foreign policy, one can expect Beijing to criticize U.S. policy in the Middle East, South Africa, and Central America, as it has done in the recent past. Now as then, the United States will often find the PRC grandstanding to the Third World in the United Nations and other international forums and voting with the other side. Likewise, the United States is a nation of principle and has its own promises to keep. It should continue its policies of promoting human rights, including criticizing human-rights conditions inside China; maintaining close, albeit nonofficial, ties with Taiwan; and supporting the Republic of Korea, even though these policies could upset the PRC leadership.

Just as the periodic presidential elections and American domestic politics will affect U.S. policy toward China and other regions, so the elite conflict and the political dynamics in China's polity will help shape China's policy toward the United States and China's overall external relations. It is important to note that in the next decade China will be run by a group of leaders who, like Party general secretary Hu Yaobang, are in their mid-sixties or older and were either self-educated or educated mostly in party schools or military academies.[15] Standing in the so-called second echelon of the leadership hierarchy today, these leaders have been soldiers and/or administrators for almost their entire revolutionary careers. They see the world very much through their ideological lenses and appear to be quite parochial, inward looking, and xenophobic in their outlook and concerns. Will these leaders some day become so preoccupied with Western spiritual pollution that they will feel compelled to reverse the programs of modernization? Or will they continue China's open-door policy and learn to handle China's interactions with the world? These are important questions, but only time can tell.

Undoubtedly, both Beijing and Washington have much to learn about how to conduct and manage their complex and difficult relations. To begin with, Washington should desist from any crude attempt to manipulate Sino-Soviet relations. Already the increasing contacts between the two Communist states and the modest improvement in their rela-

15. See Parris H. Chang, "Interview with Hu Yaobang," *Problems of Communism*, 32(6):67-70 (Nov.-Dec. 1983).

tions have alarmed Washington, and some analysts have even suggested offering arms or military technology to China so as to entice Beijing away from Moscow. Such an action would be unwise and is sure to be rebuffed by China. Chinese leaders know too well what China's larger interests are, so it would be futile for Washington to forestall, through bribery or trickery, a Sino-Soviet reconciliation if Beijing sees that to be in China's best interests. The Sino-Soviet relationship has evolved independent of interference by third parties in the past and will do so in the future.

Taking into account all the factors affecting Sino-Soviet relations, however, we believe that the détente that could develop would be gradual and modest in scope, and any far-reaching, comprehensive rapprochement seems rather unlikely. We can also predict with reasonable certainty that there will be no return to the Sino-Soviet alliance of the 1950s, inasmuch as the previous U.S.-China hostility and aura of military confrontation are things of the past. Hence Beijing neither needs nor will seek an alliance with the Soviets for protection. Beijing leaders emphasize that China's independent policy does not mean an equidistant policy toward Moscow and Washington. The central fact is that the United States does not threaten China's national security, but for years to come the Chinese will continue to perceive a direct threat from the Soviets.

To underscore a new approach toward China, Washington should no longer treat China as the enemy of our enemy. Instead, China should be viewed as a developing country striving to improve the livelihood of its 1 billion people. Regardless of Beijing's potential value as a counterweight to the Soviets, the United States does have a major stake in China's economic modernization and political stability. The United States can greatly assist that development by relaxing export controls on its high technology. American officials must also resist domestic pressures for protectionist tariffs and quotas that would deny the Chinese access to U.S. markets. Equally valuable would be an open door on the part of American universities and research institutions that gives a new generation of Chinese scientists, engineers, and managers exposure to the best the West can offer.

But Beijing will have to give as well, and the first order of business is to stop haranguing Washington on the subject of Taiwan. In the joint communiqué of August 1982, the Reagan administration went about as far as it could in accommodating Beijing's demands. Reagan has already abandoned his campaign pledge to upgrade U.S. relations with Taipei and has gone beyond his three predecessors in giving a blessing to Beijing's proposal for peaceful reunification of Taiwan and the mainland. If Beijing tries to press Washington to make more concessions, U.S.-China relations could suffer another downturn and major Chinese policy objectives would be severely jeopardized.

In more practical terms, Beijing must begin to understand the ways in which its frequent policy shifts and long delays in decision making have alienated not a few members of the American business community and have discouraged potential investors. The Chinese government can do its share to encourage trade and investment by reducing bureaucratic delays and tidying up government procedures. The success of China's efforts

to attract American investment and trade also depends on explicit government regulations and the establishment of an implementation mechanism.

More than 12,000 Chinese researchers and students are in the United States, and they enjoy considerable access to valuable information. Such educational and scientific exchanges, which have benefited the Chinese enormously and almost one-sidedly, can be jeopardized if Beijing is unwilling to observe the principle of reciprocity. American exchange scientists and scholars have complained of the lack of access to their Chinese counterparts and the restrictions placed by the Chinese authorities on library materials, archives, research facilities, and field studies. If these problems persist, support in Congress and academic circles for the exchange programs will diminish.

Last, but not least, to develop a solid and enduring relationship, both sides must cultivate a mutual trust, and each has to learn to appreciate the other's priorities and problems. Unquestionably, differences between Beijing and Washington over Taiwan, Korea, and other issues will remain, but both have far more to gain if they put such differences aside and strive to accent the positive and promote their common interests, as they are doing now.

* * *

QUESTIONS AND ANSWERS

Q (Norris Harzenstein, Federal Bar Association): In the past, there was a very strong movement by native Formosans to free their land of Chinese of whatever political coloration. Is there a degree of unification now within the populace of Taiwan so that the people speak with generally one point of view?

A: Most Taiwanese feel strongly that reunification under the Chinese government would not serve their interests. They see it as impossible. Although the Kuomintang government also speaks of reunification—under its own auspices—the people see that as impossible.

In terms of ethnic differences on Taiwan, there are no ethnic differences. The people are all Chinese. There are some differences among them in their political perspective, and they are pressing the Kuomingtang leadership in Taipei to allocate to the Taiwanese, who constitute more than 80 percent of the population, a more equitable share of the political power.

Q (Dorothy Solinger, University of Pittsburgh, Pennsylvania, and Association for Asian Studies): I have noticed a few scattered bits of information in the last couple of weeks about U.S. behavior and Chinese behavior with regard to Thailand, and I noticed something similar in early 1979 when Deng Xiaoping was here and China subsequently attacked in Vietnam. Right after Deng left here, I noticed that Thailand's premier came to see Carter almost the same week. Subsequently I heard on the radio that there was a U.S. battleship in the waters near Thailand. Right after that, the Chinese invaded Vietnam. Early in April 1984 China had a border conflict with Vietnam, and in their press releases they made mention of the fact that

Vietnam was attacking along the Thai border. A couple of days after that, we offered military supplies to Thailand, and now Reagan is in China. How does all this fit together?

A (Whiting): There are linkages. In this last instance, the linkage is related to the failure of the Vietnamese to mount their offensive at an earlier point. Foreign Minister Thack was on a mission at the time. Once the mission of Thack was finished, the Vietnamese attacked those bases, spilling over into Thai territory, where the guerrillas find refuge. For the first time since 1979, the Chinese tried to make good their commitment to Thailand by putting pressure on the Vietnamese. The timing of the Reagan visit, however, was arranged many, many months ago, and that is a little coincidence in fact.

Q (Xu Liugen, Mission of the People's Republic of China to the United Nations): The Chinese feel that national reunification is something of paramount importance to everybody. It would be something of paramount importance to everyone if his or her country was divided. There is only one China. Reunification of Taiwan is something that involves the Chinese. I remember remarks by very important American government officials who said that their government would like to stay away from the internal affairs of China. This is welcome. But how can the American Congress justify itself in passing things like the Taiwan Relations Act and the Taiwan Resolution? Since the American government has time and again acknowledged the fact that there is only one China, and that Taiwan is a part of China, all ideological or political differences between the two sides are differences among Chinese. How can the Congress justify its interference?

A: You are adopting a very legalistic approach, but diplomacy is not conducted purely on legal grounds. In U.S.-Taiwan relations and U.S.-China relations we cannot ignore history, which introduces a note of complexity to this triangular relationship. China's leadership and the Chinese people often talk about reunification as good. Well, good for what? Is it good only for the idea of one China, or is it good in that it enhances people's livelihood, freedom, and prosperity? The people of Taiwan ask about what the government can do for them. They do not see that unification now under the PRC is going to enhance their freedom or their prosperity. If 10 years from now the PRC's economic modernization succeeds to a considerable degree, if there is a greater degree of law and order and democracy, if human rights are observed in China, I think reunification will have greater appeal to people in Taiwan.

COMMENT: Mr. Chang should listen very carefully to what the central government of China has said. The people of Taiwan will, in fact, benefit greatly from unification. For instance, they will get a huge market. Moreover, the central government in Beijing says that everything in Taiwan can be kept intact.

Q (Mr. Gorham, Department of External Affairs, Canada): How do you see Japan's role vis-à-vis China, and how

might that relationship affect U.S. or Soviet interests and influence in the area?

A: I think that the relations between China and Japan are quite good, because the two countries feel that they are complementary to each other in many areas. Good China-Japan relations do not bother Washington, which views them as beneficial to stability in East Asia. Moscow, however, is apprehensive that close Beijing-Tokyo relations may turn into an anti-Soviet alliance. Likewise, China distrusts any improvement in U.S.-Soviet relations because it is often very much concerned with a possible collusion by the two superpowers against it. But China does not have such concerns about a Japan-U.S. alliance against China.

Report of the Board of Directors to the Members of the American Academy of Political and Social Science for the Year 1983

MEMBERSHIP

MEMBERSHIP AS OF DECEMBER 31

Year	*Number*
1973	21,070
1974	19,473
1975	16,923
1976	15,516
1977	14,202
1978	12,816
1979	10,884
1980	10,059
1981	9,874
1982	9,536
1983	8,904

PUBLICATIONS

NUMBER OF VOLUMES OF *THE ANNALS* PRINTED (6 PER YEAR)

1973	132,709
1974	120,397
1975	104,049
1976	101,789
1977	91,367
1978	85,605
1979	71,513
1980	65,153
1981	69,313
1982	74,211
1983	68,236

FINANCES

SIZE OF SECURITIES PORTFOLIO

MARKET VALUE AS OF DECEMBER 31

1973	533,024
1974	371,004
1975	440,450
1976	504,046
1977	451,545
1978	385,795
1979	377,915
1980	368,926
1981	351,886
1982	390,119
1983	485,809

NUMBER OF VOLUMES OF *THE ANNALS* SOLD (IN ADDITION TO MEMBERSHIPS AND SUBSCRIPTIONS)

1973	12,430
1974	13,153
1975	13,034
1976	12,235
1977	6,296
1978	8,124
1979	5,907
1980	8,751
1981	5,884
1982	7,562
1983	5,877

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1983

	1983
Income	
Royalty–Sage Publications	$120,000
Sales of review books	2,351
Royalties and reprint permissions	3,887
Annual meeting revenue	7,231
Donations	
Miscellaneous	3,610
Total income	137,079
Operating expenses	
Salaries	77,393
Payroll taxes	9,277
Pension expense	16,178
Employee benefits	1,900
Annual meeting expense	13,701
Depreciation	3,961

Insurance	1,903
Miscellaneous	24,606
Postage	1,891
Repairs and Maintenance	16,770
Supplies	2,121
Telephone	3,302
Utilities	5,815
Total operating expenses	178,818
Loss from operations	(41,739)
Other income (expenses)	
Investment income (net)	25,154
Gain on sale of investments	52,449
Grant administration overhead	10,510
Total other income	88,113
Net income	46,374
Retained earnings–January 1	361,755
Retained earnings–December 31	$408,129

Report of the Board of Directors

During 1983, the six volumes of THE ANNALS dealt with the following subjects:

January — *Housing America*, edited by Wallace F. Smith, Professor, Department of Business Administration, University of California, Berkeley.

March — *Implementing Governmental Change*, edited by Charles E. Gilbert, Professor, Department of Political Science, Swarthmore College, Swarthmore, Pennsylvania.

May — *The Global Refugee Problem: U.S. and World Response*, edited by Gilburt D. Loescher, Assistant Professor, Department of Government and International Studies, University of Notre Dame; and John A. Scanlan, Assistant Director, Center for Civil and Human Rights, Notre Dame Law School, Notre Dame, Indiana.

July — *Health Care Policy in America*, edited by S. E. Berki, Professor and Chairman, Department of Medical Care Organization, School of Public Health, University of Michigan, Ann Arbor.

September — *Nuclear Armament and Disarmament*, edited by Marvin E. Wolfgang, President, The American Academy of Political and Social Science, and Professor, Department of Sociology, University of Pennsylvania, Philadelphia; and Robert H. Kupperman, Executive Director, Science and Technology Center for International Studies, Georgetown University, Washington, D.C.

November — *Robotics: Future Factories, Future Workers*, edited by Robert J. Miller, Professor, Department of Anthropology, University of Wisconsin, Madison.

The publication program for 1984 includes the following volumes:

January — *Paying for Culture*, edited by Patricia A. McFate, President, The American-Scandinavian Foundation, New York City.

March — *Polling and the Democratic Consensus*, edited by L. John Martin, Professor, College of Journalism, University of Maryland, College Park.

May — *The Future of American Unionism*, edited by Louis A. Ferman, Professor of Social Work and Research Director, Institute of Labor and Industrial Relations, The University of Michigan, Ann Arbor.

July — *Gambling: Views from the Social Sciences*, edited by James H. Frey, Associate Professor, Department of Sociology, University of Nevada, Las Vegas; and William R. Eadington, Professor, Department of Economics, University of Nevada, Reno.

September — *Deindustrialization: Restructuring the Economy*, edited by Gene F. Summers, Professor and Chairman, Department of Rural Sociology, University of Wisconsin, Madison.

November — *China in Transition*, edited by Marvin E. Wolfgang, President, American Academy of Political and Social Science, and Professor, Department of Social Systems Sciences, Department of Sociology, and Law School, University of Pennsylvania, Philadelphia.

During 1983, the Book Department published approximately 250 reviews.

The majority of these were written by professors, but reviewers also included university presidents, members of private and university-sponsored organizations, government and public officials, and business professionals. Over 400 books were listed in the Other Books section.

Sixty-five requests were granted to reprint material from THE ANNALS. These went to professors and other authors for use in books in preparation and to nonprofit organizations for educational purposes.

MEETINGS

The eighty-sixth annual meeting, which was held on April 22-23, 1983, had as its subject *Nuclear Armament and Disarmament* and continued the tradition of our gatherings with respect to the diversity of organizations represented by delegates, the size of the audiences and the interest displayed. Eleven embassies sent official delegations, as did twelve United Nations missions and four states, cities, and agencies of the federal government. Delegates were also sent by 78 American and foreign universities and colleges and 48 international, civic, scientific, and commercial organizations. More than 250 persons attended one or more sessions.

The theme of the eighty-seventh annual meeting, held April 27-28, 1984, at the Bellevue Stratford Hotel, Philadelphia, was *China in Transition*. The November 1984 volume of THE ANNALS contains the papers presented at the meeting.

OFFICERS AND STAFF

The Board reelected the following officers: Marvin E. Wolfgang, President; Richard D. Lambert, Vice-President; Rebecca Jean Brownlee, Secretary; Elmer B. Staats, Treasurer. The following Board Members were reelected for three-year terms: Lee Benson, A. Leon Higginbotham, Jr., and Covey T. Oliver.

Respectfully submitted,

THE BOARD OF DIRECTORS

Elmer B. Staats
Marvin E. Wolfgang
Lee Benson
A. Leon Higginbotham, Jr.
Richard D. Lambert
Rebecca Jean Brownlee
Covey T. Oliver
Thomas L. Hughes
Randall M. Whaley
Lloyd N. Cutler

Philadelphia, Pennsylvania
1 September 1984

Book Department

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INTERNATIONAL RELATIONS AND POLITICS

DAVIDSON, DONALD L. *Nuclear Weapons and the American Churches: Ethical Positions on Modern Warfare.* Pp. 207. Boulder, CO: Westview Press, 1984. $20.00.

This book, prepared under the auspices of the Strategic Studies Institute, U.S. Army War College, is an examination of how the doctrine of just war is being related to nuclear war. Donald L. Davidson admits in the acknowledgments that in his presentation of material from the churches he includes criticism of some of their points of view. His bias seems to have manifested itself in two ways that are detrimental to the study.

The first is the inclusion of what seems to be irrelevant material. For example, in dealing with the Episcopal church's stance on nuclear issues, Davidson throws in a statement concerning the denomination's stance on U.S. aid to Central America. The selection of material at times seems unusual. For example, in a discussion of a position of the National Council of Churches, he includes material on the criticism of the council by the Institute for Religion and Democracy, rather than the latter's position on the issue at hand.

This relates to the second problem of certain inconsistencies in the book. In discussing a United Presbyterian Church USA's 1981 study guide, Davidson states that the Soviets are "portrayed [as] playing 'catch-up' with the United States." A different implication is given when, in his summary, Davidson states that "the massive buildup over the last fifteen years" has now brought the United States and Soviets into a "rough equality."

One additional weakness has to do with using only a survey letter for collecting the data. In depending on voluntary replies, Davidson limits the scope of the material in the documents used and in the number of churches. Thus in discussing the United Methodist church, basically only an episcopal letter is discussed while the official position of the church is never mentioned. Likewise verification of the major black denominations' positions, or lack of such, would be of value.

The book raises two valuable issues. The first is Davidson's dealing with the development, contemporary forums, and applications of the just war criteria. This summarization draws out points worth considering in any ethical analysis of war. The second is the underlying question of church-state relations and how the responsibilities of each institution affects its world view. Thus while this book has its limitations, it can be of great value in initiating discussion on the ethical dimension of preparation, doctrine, and implementation of modern warfare.

DONALD A. WATT
University of Pennsylvania
Philadelphia

MEARSHEIMER, JOHN J. *Conventional Deterrence.* Pp. 289. Ithaca, NY: Cornell University Press, 1983. No price.

SCHWARTZ, DAVID N. *NATO's Nuclear Dilemmas.* Pp. 263. Washington, DC: Brookings Institution, 1983. $28.95.

The books by Mearsheimer and Schwartz are concerned with how military policy decisions have been made and the implications of those decisions for NATO in Central Europe. Approaching the subject through different venues, each uses case studies to increase readers' understanding of the standoff between the NATO and Warsaw Pact forces. Mearsheimer examines deterrence based on conventional forces in the modern era; Schwartz traces the debates within NATO concerning basing and use of strategic or long-range theater nuclear weapons. The books complement each other, although in the end they draw different conclusions based on varying assumptions of the forces that would be available in a crisis.

Mearsheimer limits his study of conventional deterrence to the mechanized post-World War I period. Although he touches on political considerations for an attack, Mearsheimer largely examines the military strategy in depth. His central work deals with periods when deterrence holds for a time and then breaks down. His first conclusion—that deterrence will break down in a time of political crisis when one side believes it can quickly and decisively obtain its goals—seems self-evident. The second stage of his analysis, however, is of greater value. It asserts that, except in unusual cases—for example, Egypt in 1973—only the *blitzkrieg* will be employed in an attack. His expectation is that in any crisis in the foreseeable future when two armies are massed, the *blitzkrieg* will be the strategy used.

The conclusions Mearsheimer draws from his study for modern warfare in general, and for Central Europe in particular, are subject to question. Mearsheimer touches on the two main weaknesses of his historical analysis, but he does not believe they will effect any great changes. The first is the introduction of precision-guided munitions and their impact on the armor and air forces so necessary for a *blitzkrieg*. Although he analyzes their impact—pro-defense—he does not change his opinion that the *blitzkrieg* as historically constituted will not be outmoded. This is subject to debate.

The second conclusion, concerning the security of Western Europe from a Warsaw Pact attack, also has a weakness in that Mearsheimer assumes the NATO force will be expanded in a time of crisis to optimal levels of 32 divisions in its forward deployment. Although the force ratio of 2 to 1 in favor of the Warsaw Pact is in the proper range, much of his argument on the defensibility of the forward position by NATO rests on the force-to-space ratios in the probable areas of an attack. With fewer than 32 divisions in forward deployment, the probability of a massive breakthrough is greatly increased.

Mearsheimer also neglects the deployment of tactical nuclear weapons and how they may affect deterrence. If neither side wishes to cross the nuclear threshold, and if NATO can position the necessary forces, Mearsheimer's analysis can lend some optimism to the probability of a successful deterrence in Europe.

Schwartz, on the other hand, has a more pessimistic outlook on NATO's ability to raise the necessary forces for conventional deterrence. Through his historical examination Schwartz believes that nuclear addiction has allowed the NATO countries to disregard the provision of adequate conventional forces.

In Schwartz's study of the political considerations and negotiations that met each new proposal, certain elements keep recurring. One is the inability, or unwillingness, of the alliance members to meet the conventional force goals set for NATO. A second theme is the continuing uncertainty in Europe about whether the United States will actually use its nuclear weapons to save Western Europe, and/or if Western Europe might be drawn into a nuclear war through a U.S.-USSR confrontation elsewhere. Schwartz's

analysis that the doctrine of flexible response and the deployment of theater, or intermediate range, weapons add to the assurance of Europe is correct. His point that NATO needs to have more possible responses in conventional weaponry is well taken. Without this increase, Schwartz believes, any attack on NATO would necessitate its first use of nuclear weapons, something he finds unpalatable.

Overall, Schwartz gives a good account of the process through which NATO has come in its nuclear weapons policy, with the various dilemmas facing both the European and the North American partners in regard to the policy being documented. His book is worthwhile for its historical overview of this process, as well as the conclusions it draws concerning the interactions of NATO conventional and nuclear forces.

DONALD A. WATT
University of Pennsylvania
Philadelphia

MILLER, JON D. *The American People and Science Policy: The Role of Public Attitudes in the Policy Process.* Pp. xviii, 145. Elmsford, NJ: Pergamon Press, 1983. $22.50.

Here is a compact book that should be useful to anyone interested in the theory of democracy, in public participation, and in the citizen's role, or lack thereof, in the formulation of science and technology public policy. The rich empirical data on which the book is based come from four major surveys of the public's attitude toward science and technology conducted by Miller and his associates between 1978 and 1981. These data are summarized in 71 tables and analyzed in terms of a stratified model that, in the tradition of Gabriel Almond, divides the citizenry into five groups occupying successive layers of a pyramid.

From the pyramid's base to apex, the groups are nonattentive public—nonattentive to science and technology, that is; interested public; attentive public, which comprises 1 out of 5 adults in the United States and is growing; nongovernmental policy leaders; and governmental decision makers. The existence of an attentive public arises from the information overload on the modern citizen, who is forced to choose a few favorite civic issues to specialize in and give up on all others. Thus there is an attentive public for science and technology, another for foreign policy, another for economic matters, and so on.

The attentive public for science and technology, however, has had little influence over policy. Instead, according to Miller, science and technology policy is very much under the influence of the policy leaders, who are the nongovernmental leaders of the scientific and technological community. Here one wishes that the book had made a clearer distinction between basic science and applied technology, and especially between research and development activities and non-research and development operational activities. Such a distinction was admittedly impractical in the public opinion surveys, but it would be helpful in analyzing the policy process. Thus the influence of policy leaders has traditionally been greatest in certain aspects of basic research policy—for example, the funding for particle accelerators comes to mind—but since the 1960s their influence has usually been negligible in the non-research and development operational policies of such mission-oriented areas as space, energy, resources, and the environment, which account for the bulk of the federal science and technology budget.

This thin volume brings a wealth of empirical data to bear on a hitherto highly speculative subject and makes a definitive contribution to the study of science and technology policymaking and its relationship to the theory of democracy.

BENJAMIN SHEN
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Philadelphia

PADDISON, RONAN. *The Fragmented State: The Political Geography of Power.* Pp. x, 315. New York: St. Martin's Press, 1983. $25.00.

Ronan Paddison is a lecturer in geography at the University of Glasgow. Paddison's book is a treatment of the distribution of power in central, regional, and local governments in a variety of countries in Western Europe and North America, as well as Australia and New Zealand. He might well have dedicated the book to Terminus, the Roman god of boundaries, for this is an extensive review of the literature on boundaries and power, and it reads much like an annotated bibliography.

Paddison has covered a very large territory. He looks at unitary and federal states. He deals at length with local services and local fragmentation, and he reviews the extensive literature of the 1970s on those subjects, American, English, and some others. He ends with a discussion of reorganizing the territorial state.

Paddison has provided undergraduate classes with a valuable reference work on the subject. Teachers of economics, political science, and sociology will find this volume a useful reference and a useful set of auxiliary readings. Geographers may be interested in Paddison's attempt to prove that something called political geography is an important discipline.

I was not familiar with Paddison's previous works. Nevertheless, what is missing from this volume is some considered judgments by the author on the relative importance of the wide variety of topics and opinions that he presents. I suspect he is capable of such discrimination, but that is not evident in *The Fragmented State.*

GUTHRIE S. BIRKHEAD
Syracuse University
New York

TYSON, JAMES L. *U.S. International Broadcasting and National Security.* Pp. xviii, 153. New York: Ramapo Press, 1983. $7.95.

Many Americans are familiar with bits and pieces of the nation's overseas shortwave information distribution apparatus, but few understand the whole picture. James Tyson tries in this brief volume to fit the pieces together into a comprehensible package. In so doing he also assesses their performance in reflecting U.S. policy and their impact on residents of the target areas.

The section dealing with the origins and evolution of the Voice of America (VOA) is particularly useful and will serve as a valuable reference source. The analysis of VOA policy controversies over the years stresses the most contentious of the agency's internal disputes, including one that has never been settled to everyone's satisfaction: should VOA be concerned primarily with objectivity or persuasion? Should it follow a so-called warts-and-all policy in dealing with internal U.S. developments? Or should it try to be purely objective without regard to possible damage that may occur to the image of the United States? Tyson clearly opts for persuasion.

His treatment of Radio Free Europe (RFE) and Radio Liberty (RL) is not as clear or apparently knowledgeable. There is a good reason. The two so-called freedom radios are complex instruments performing a service that is more difficult to define. Their clandestine origins in the nation's intelligence community in the late 1940s makes tracing their early history a complicated process.

The basic difference in goals and objectives between VOA on the one hand and RFE and RL on the other is recognized: namely, that VOA serves essentially as the voice of America abroad, of its culture, its institutions and policies, whereas RFE and RL are charged to function as surrogate domestic radios in the countries into which they broadcast. Tyson is somewhat ambiguous, however, in assessing the extent to which the radios should promote Western

values in their programs that are designed primarily to fill the information gap created by censorship. It stands to reason that too hard a sell could lead to an erosion of confidence and credibility.

Tyson is to be commended. His recommendations for government action to strengthen all three services are squarely on target. The list is long and comprehensive, but his most useful service probably derives from the additional light he throws on the critical role played by shortwave broadcasts in crossing international boundaries. If the public's threshold of understanding can be raised just a little, perhaps support from the White House and the Congress will come more easily. The benefits from such support are clear. As Tyson points out, "International broadcasting can be one of the most cost-effective arms of our foreign policy."

SIG MICKELSON

San Diego
California

WILLNER, ANN RUTH. *The Spellbinders: Charismatic Political Leadership*. Pp. 212. New Haven, CT: Yale University Press, 1984. $17.95.

In its institutional aspects charismatic leadership gives rise to three different formations of groups in the social sphere. Well known are the charismatic communities of one leader and a small number of disciples, living together in one household without any family connections. If the leader has political ambitions and gains loyal followers, the small groups multiply and grow into a charismatically led political and social mass movement. Given political support, the leader and followers establish a charismatic rulership in which the government of the state is directed by the leader and the leader's assistants.

In *The Spellbinders*, Willner does not place the leaders and their followers in any such framework of growth. Instead, the reciprocal relationship between leader and followers is seen as the major issue. The core features are examined for their variety, descriptive accuracy, and theoretical significance. The two central chapters of the book deal with heroic and rhetoric leaders. Hitler and Mussolini as well as Roosevelt and Gandhi are lumped together as either heroes or saviors, as if they comprised one uniform type of leadership. The chapter on rhetoric charisma emphasizes a more specific content analysis of the speeches of Roosevelt. The technical underlining of emotive words has the negative effect of excluding Churchill and de Gaulle as well as Lenin and Trotsky from the list of acceptable spellbinders.

A novelty arises from the study of the origin of the exceptional quality of leaders. Sukarno, Castro, and Khomeini are said to derive their claim to charismatic authority either from beliefs in myths or from modeling themselves on the image of a past national leader. For instance, Castro is said to regard himself as the successor of a previous national leader of Cuba. This is certainly a new finding, which differs from Weber's distinction between natural and supernatural origin of the special qualities, except for magic charisma.

An appendix to the book tries to explain why so little of Weber's work has been used in this study. There are two critical arguments. The ideal-typical method is said—correctly—to be inadequate for the analysis of charisma, but nothing is said about the indispensable prototypical method. In using a restrictive definition, Willner correctly rejects Parsons's stress on the normative element of charisma, but this does not justify leaving out the distinction between democratic and dictatorial charisma, which alone permits us to arrive at the constructive and destructive consequences of these two types of charismatic leadership.

ARTHUR SCHWEITZER

Indiana University
Bloomington

AFRICA, ASIA, AND LATIN AMERICA

CROLL, ELISABETH. *Chinese Women since Mao.* Pp. ii, 129. Armonk, NY: M. E. Sharpe, 1984. $22.50. Paperbound, $11.95.

Elisabeth Croll, in her analysis of the position of women in post-Mao Zedong Chinese society, has managed to present both an optimistic and pessimistic view of the impact of socialist modernization on the female population.

On the positive side, the government has legislated the equality of women, provided for their education and employment, and attempted to raise their status in a society that has consistently undervalued women. Considerable success has attended gender-specific policies that allow women to control their earnings and reproductive capacity.

However, Croll says that gender relationships are still secondary to class relationships in the struggle to form a truly socialist society. Women are still underrepresented in high-paying skilled labor, in important political positions, and among the highly educated. In addition, the economic policies of the government—especially the return of some productive responsibility to individual households at the expense of the collective—creates the danger that women will lose what visibility and public responsibility they had been able to gain.

Croll carefully analyzes the rise of handicrafts and other domestic production in rural and urban households and concludes that the increased intensity and profitability of female labor bodes ill for the future freedom of women. The increased intensity of domestic production, in concert with the still-traditional roles of reproduction and child-rearing, removes women from the more public activities, of both earning and policy-making, of the collectives. The income from this handicraft and private labor being placed in the hands of the head of household deprives the female workers of independence, and their value to the household as workers has frequently created barriers to their free choice of marriage partners. According to Croll, betrothal gifts from the prospective groom, despite their abolition by the government, have become increasingly expensive in order to indemnify the bride's family against the loss of her earning power.

This short essay should be of interest to more than historians of women or of China. It presents a clear statement of the difficulties encountered when government policies in one area ignore or fail to take into account conflicting policies in another area. On a final, optimistic note, Croll reminds readers that the government of China has frequently intervened to help bring about change and suggests that women may yet achieve true equality, not only under the law, but "with the men of their household, their community and their society."

MARY BETH EMMERICHS
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SHAFFER, LYNDA. *Mao and the Workers: The Hunan Labor Movement, 1920-1923.* Pp. xvii, 251. Armonk, NY: M. E. Sharpe, 1982. No price.

The industrial working class has been virtually ignored in studies of the Chinese revolution. Lynda Shaffer's meticulously researched *Mao and the Workers* is the most important study of the Chinese labor movement to be published in the 15 years since Jean Chesneaux's epic study, *The Chinese Labor Movement 1919-1927.* It is also the first in a wave of scholarly reassessments of workers, industry, and worker movements in republican China, anticipating major studies in progress by Ming Kou Chan, Gail Hershatter, and Emily Honig.

Shaffer persuasively argues for a redefinition of both the Chinese working class and its role in revolutionary processes. Where Chesneaux's narrow definition of a modern working class of 1.5 million led him to exclude from his study the majority of China's urban laborers—self-employed and

wage craft workers, shop workers, clerks, and guild members—Shaffer rejects as arbitrary and misleading Chesneaux's use of the distinction between traditional and modern workers. She shows with a wealth of data drawn principally from Hunan Province that such definitions mask the dynamics of the labor movement. For in Hunan protest frequently erupted in the ranks of traditional workers such as miners operating under a contract labor system during periods of destabilizing modernization. Hereafter the study of Chinese labor and labor movements will surely transcend the traditional-modern dichotomy. It will attempt to comprehend the impact of incorporation in the capitalist world system on traditional workers and the relationship between traditional and modern workers in the labor and national movement.

Shaffer illuminates important and little-studied aspects of Mao Zedong's revolutionary role, particularly his important early contributions to the labor movement and his unorthodox—that is, innovative—melding of student and labor protest in his native province, Hunan. If Mao ultimately led a great peasant-based revolution to power, some of his formative political experiences, and those of the Chinese Communist Party, were in worker and student movements in the years 1919-27.

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SUTTER, ROBERT G. *The China Quandary: Domestic Determinants of U.S.-China Policy, 1972-1982.* Pp. xi, 194. Boulder, CO: Westview Press, 1984. $22.50.

The emergence of normal relations between the United States and the People's Republic of China during the 1970s is one of the watershed events of our time. It represents a kind of second stage of the globe's most striking postwar trend: the emergence of three-quarters of the world's people, predominantly nonwhite and poor, from the custody of the metropolitan countries. Stage one was liberation from that custody; stage two, in the case of China, was to have stage one recognized and accepted, so that China could take its rightful place among the nations of the world.

Sutter's *The China Quandary* deals with precisely these events but omits the context just mentioned. He omits it because Washington officials never raised it; and it is the views of these participants in policymaking that Sutter dutifully follows—he interviewed over 100 of them. This adherence is, at once, the chief deficiency and the chief attribute of his history. What we can find in *The China Quandary* is something quite useful: a well-documented report on what Washington politicians were doing, saying, and keeping secret during these ten years of China policy reversal. Sutter presents it with restraint: the careful hand of the social scientist qua government consultant, laying out the various sides, making no judgments, offending nobody, and claiming no particular wisdom—small but solid scholarship. Were congressional and State Department officials to read it, they might learn something about the dynamics of gettings things done, a lesson akin to what is taught in organizational development schools of management. Yet at times one wishes that Sutter had pursued this research with more of a thesis in mind, had ventured to share more of his own wisdom and vision. If Washington politicians, as it seems, make decisions about great matters for disappointingly small-minded, pragmatic, political—in its narrowest sense—reasons, then one would hope that at least the historian would offer some guidance. "A scholar is not a thing of use," Confucius once said. Sutter's book is "a thing of use."

Given these limitations, *The China Quandary* has some positive attributes. Perhaps chief among them is its ability to lay out the interpersonal perceptions between the officials of Congress and those of the executive branch as the Nixon, Ford, and Carter administrations edged closer to the People's Republic of China. Sutter's social scientist's eye for impartiality is most effective when

observing, for example, that Carter's "State Department aides were sometimes perceived as arrogant" by members of Congress when in fact it was White House pressures for secrecy that prevented the aides from being frank. Sutter has a feel for diplomacy—which is often needed as much between Congress and the executive branch as between the United States and another country.

On the other hand, parts of the book beg for more in-depth examination by an author with confidence in his own judgment, rather than just reportage of shallow Washington opinions. Was Carter weak and vacillating in his foreign policy or not? Were his policies with regard to Panama, Korea, Vietnam, and Taiwan signs of weakness or wisdom? Sutter merely repeats some opinions about this important question instead of offering an in-depth analysis. Moreover, the opinions that he repeats tilt the balance toward weakness in much the same way that a television newscaster tilts balances, while all the time maintaining "I'm only the reporter."

In another passage Sutter reports opinions on the question of whether or not it is moral to normalize relations with a Communist country at the expense of an old friend. Here again we need in-depth investigation, not just the recounting of opinions. The closest Sutter comes to an investigation is to cite the view of Freedom House, which he calls a "non-partisan" organization. Of course, Freedom House is known to be much closer to, might we say, Ronald Reagan's version of freedom than Martin Luther King's.

Sutter's book should be on library bookshelves, as it represents an important compilation of knowledge. Yet we also maintain the hope that Sutter and others who attempt to write histories will move beyond the timid kind of work that makes scholars subservient to politicians and public opinion. Politicians do not want to raise questions like, "Was our China policy from 1949 to 1972 right or wrong?" Historians and other truth seekers should.

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EUROPE

FUCHS, RACHEL. *Abandoned Children: Foundlings and Child Welfare in Nineteenth-Century France.* Pp. xvii, 357. New York: University of New York, 1984. No price.

One of the ironies of the history of childhood and the family is that we have better evidence for the experience of troubled families and problem children than for the experience of the standard and normal. That is because church and state have kept records of their efforts to help those who seemed to need it. Fuchs shows just how rich those records can be in this study of state provisions for the abandoned children of Paris through the nineteenth century.

Her work, originating as a dissertation, is in the form of an institutional history, but she exploits her material so thoroughly that it expands into a more general social history. She relates her story to the changing values of French society, which governed several policy shifts within the period in question. She shows how Paris's problem involved the rest of France, the typical abandoning mother being a recent arrival from the provinces and the children being returned to nurses in the provinces. And she is able to assess the relative influence of economic factors as against changes in policy in the changing rate of abandonment.

The book is a model of thoroughness, and sometimes the detail becomes slightly clogged, as one expects in monographs. But Fuchs has asked the right questions and has not been sidetracked by an overelaborate statistical method. Nor has she enlisted in the partisan struggles over her subject. Although she is aware that social control is always a concern of policy, she notes that her subject does not fit Foucault's model of institutionalizing misfits. She paints a gripping picture of the Dickensian Hospice, which received the foundlings, and of the awful conditions that tiny infants endured when being shipped around the country. But she is not looking for someone to blame and is fair enough to show how little effect transportation had on

mortality. She is also able to show that girls were no more likely to be abandoned and no less likely to be reclaimed than boys. One notes that attitude changes—concern for the child's as well as for the state's welfare—came a generation before the medical knowledge and bureaucratic efficiency of the 1850s and 1880s that made a difference in life chances. The one surprise is a lack of discussion of child mortality as opposed to infant mortality, the index actually confusing the distinction.

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HARRIS, R. W. *Clarendon and the English Revolution.* Pp. vii, 456. Stanford, CA: Stanford University Press, 1983. $39.50.

Edward Hyde, earl of Clarendon, ranks among the most illustrious servants of the English crown. Chancellor of the exchequer under Charles I, implacable adversary of rebellious parliamentarians, companion in exile to Charles II, and chief architect of England's return to monarchical government, Clarendon occupied high office and endured great hardship during one of the most tumultuous periods of English history. Clarendon's own *History of the Rebellion and Civil Wars in England* is a brilliant commentary on the troubled era through which he lived. The earl not only made history, he also recorded it. Intent on exploring both aspects of Clarendon's life, Harris has crafted a biography that reveals more about the royalist policymaker than about the inimitable historian of the English Revolution.

Following the stages of Edward Hyde's progress toward the most powerful offices of the English court bureaucracy, Harris constructs a narrative incorporating topics unduly neglected in studies of the English Civil War oriented toward revolutionary figures and the victories of Parliament. Clarendon's efforts to advise Charles I on political strategy and to maintain peace negotiations between the king and Parliament reveal much about the internal workings of the court propaganda machine. Clarendon's service on the Privy Council permits Harris to investigate how the fluctuating military fortunes of royal armies affected the king's ability to raise money and parley with his adversaries. The destruction of the royal forces by Cromwell's army precipitated an exodus of the crown's surviving defenders. Clarendon fled to France and became an advisor to Charles II.

Harris's account of the royalist refugees, their machinations against the commonwealth, and their fruitless attempts to secure assistance from the monarchs of Europe casts new light on the fortunes of those who lost the English Civil War and places the outcome of that conflict in the broader perspective of seventeenth-century European affairs. Harris deftly juxtaposes these chaotic events with Clarendon's stalwart belief in the inevitability of the Restoration.

Yet too often, Harris endorses the assessments of men and events appearing in Clarendon's own writings. Quickly dismissing recent attempts to rehabilitate the character of the rebel John Pym, Harris, like Clarendon, condemns him as the greatest warmonger of the age. Harris also rejects the broader critique of Clarendon's accuracy and objectivity advanced by Ronald Hutton. Perhaps Harris is right not to quibble over minor inaccuracies in Clarendon's magnificent works. However, his reluctance to read Clarendon critically and to probe deeply the motivations for his prose only compounds Clarendon's natural reticence and self-effacing style of discourse. A more trenchant analysis of Clarendon's historical writing would offer the reader greater insight into the character of this noble figure.

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HOPKINS, DONALD R. *Princes and Peasants: Smallpox in History.* Pp. xx, 380. Chicago: University of Chicago Press, 1983. $25.00.

This book explores the historical influence of smallpox with impressive learning and global scope. Hopkins treats his theme geographically: first Europe, then China, India, Africa, and the Americas; and concluding with a final chapter on the traditional red treatment for smallpox and the eradication of the disease in the twentieth century.

As a medical man, Hopkins is cautious about identifying ancient epidemics as smallpox. Even though he personally examined the mummy of Ramses V in Cairo, he refrains from diagnosing smallpox in 1157 B.C. He does seem convinced that the Athenian plague of 430 B.C. was smallpox—an identification that seems unduly precise to me—and occasionally classifies other epidemics as probably smallpox when available descriptions are too vague to make the diagnosis fully convincing. But in general his judgments are careful, and the record of smallpox outbreaks that he has painstakingly assembled makes the reader abundantly aware of the importance the disease had in the past among peasants and princes—and urban folk as well.

As the title indicates, a good deal of Hopkins's attention is devoted to rulers' encounters with the disease. Often the result was a ruler's sudden death, sometimes provoking disputed successions and/or some drastic political change. Such emergencies deflected states as diverse as Austria, Japan, and the Inca empire, for example. Less familiar are occasions on which rulers suffered an attack and still survived—as happened early in Queen Elizabeth's reign, for example, and to Lincoln immediately after his Gettysburg address. By gathering such episodes together into one book, Hopkins certainly shows that smallpox mattered in politics—sometimes.

Yet it must also be said that the book reads choppily and is often dull. Many pages monotonously list epidemics and numbers of victims as reported by one source or another. Similarly, the account of smallpox deities is abstracted from the general religious and social context in an unsatisfactory fashion. I noticed a few minor slips—for example, a mislocation of the Burma road—but the general level of accuracy is very high for a book that roams across so much time and space.

The only major error Hopkins makes is to affirm that "as late as 1600, smallpox was still unheard of among the one-half to two million Indians living in the vast area north of Mexico." A recent book—*Their Number Become Thinned: Native American Population Dynamics in Eastern North America* by Henry F. Dobyns—makes this assertion implausible, to say the least; but Hopkins cannot be faulted, given that his book went to press before Dobyns's work came out.

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KEIGER, JOHN F. V. *France and the Origins of the First World War.* Pp. vii, 201. New York: St. Martin's Press, 1983. $25.00.

Historians have long debated the origins of World War I. During the war itself, French—and British—historians found Germany and her ally, Austria-Hungary, solely guilty and based the demand for war reparations on this guilt. In the 1920s revisionists placed blame on all the major belligerents, particularly on Russia and France: on Russia for prematurely mobilizing and on France for encouraging her ally to do so, thanks to a festering passion to get back the lost provinces of Alsace and Lorraine. In the 1930s clear Nazi aggression prompted a return to the earlier view. Most recently German historian Fritz Fisher and his disciples have placed emphasis on Germany's willingness in 1914 to risk a European war to secure national objectives.

In a densely written little book, Keiger assesses French diplomatic activity since

1871 and specifically in the establishment of the two alliance systems that faced each other in 1914. He has analyzed the French Foreign Office—the Quai d'Orsay—and has paid special attention to the Frenchman who set his mark on foreign affairs from 1912 through at least the early years of the war, Prime Minister and then President Raymond Poincaré. He closes with a description of the July 1914 crisis, which, unlike previous crises, could not be resolved peacefully.

Keiger concludes that France—and Poincaré—were not guilty of plotting for war; that, on the contrary, the Foreign Office, caught up in wrangling among career officers—the *bureaux*—the ministers, and the ambassadors, was too divided to allow for such a policy; that the so-called nationalist revival preceding the outbreak of war was overstated, represented a minority of the population, and was in any case defensive; that Poincaré, while tightening the bonds of the connection with Britain and Russia and striving to keep it distinct from the other armed camp, worked for peace and even restrained Russia in the Balkans, going so far as to favor German interests in Turkey and not those of Russia; that the absence of French diplomats from their desks in July 1914 showed that France was not plotting war; that Poincaré issued no blank check to Russia during his visit of that month; that at most an impulsive French ambassador—Paléologue—provided excessive assurances; and that, finally, Poincaré could not let Russia fight the Central Powers alone and hence had no choice but to go to war. France, "more than any other power in July 1914 was following events rather than leading them."

This well-argued account of the French position is based on manuscript collections, particularly the Poincaré papers in the Bibliothèque Nationale, on the printed documents, and on such secondary works as J. J. Becker's important study of French public opinion on the eve of the war. The writing, unfortunately, is dry—when Poincaré is not the subject—and the difficulty of reading is increased by the tiniest print I have ever seen in a standard hardbound book.

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UNITED STATES

BOORAEM, HENDRICK V. *The Formation of the Republican Party in New York: Politics and Conscience in the Antebellum North.* Pp. 296. New York: New York University Press, 1983. $39.50.

In this richly textured study, Booraem presents, as he puts it, a "reorchestration" rather than a "radical reinterpretation" of the politics of the 1850s in New York State. His central thesis is that the politics of this era should be examined from the perspective of the county and town leadership of the competing political parties, rather than that of the state and national elites. More broadly, he proposes that American political historians have focused too much attention on the biographical and ideological dimensions of their subject and thus have "divorce[d] political activity from its proper context"—the organizational and symbolic usages that make up "the institutional pattern of the party."

The body of this book is a detailed narrative of New York State politics between 1854 and 1856, three years that saw the breakdown of the Second Party System and the formation of the Republican Party. The first two chapters discuss the splintering impact of the "politics of conscience" on the "traditional loyalties and traditional policies" of the old Whig and Democratic parties in the election of 1854. The third chapter focuses on the continuity between the old Whig machine and the new Republican organization, which emerged from the wreckage of the 1854 election, and the final two chapters examine the politics of 1855 and 1856, focusing on the organizational failings

of the Republicans in 1855 and the success of their institutional fusion in 1856.

Booraem's focus on party institutions is seemingly misplaced in an analysis of an era characterized by institutional break-up. In an important sense, his study does not live up to its title: he chronicles the organizational politics of this brief period in loving detail but fails to discuss conscience in more than a cursory fashion. This gap gives the book an ahistorical quality, for it was precisely the dialectic between old-style organizational politics and the new political language of conscience that constituted the engine of change in the 1850s. It is here that a related and central problem with Booraem's construct becomes apparent. The effectiveness of conscience politics was rooted in "a simmering discontent among the voters of New York," yet the focus of Booraem's analysis is on the role of "the local political leadership" in "pressur[ing] the state leadership of the Whig Party into embracing the politics of conscience." While Booraem does an admirable job of dealing with this second issue, he neglects the first. What is clearly necessary is a less constricted view of the political process; one that takes ideology more seriously and that incorporates the explicitly sociological framework that historians such as Lee Benson, Samuel Hays, and Ronald Formisano have long been urging on their discipline. The study of democratic politics should encompass more than "the decisions that politicians ma[ke]."

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BURKE, COLIN B. *American Collegiate Populations: A Test of the Traditional View*. Pp. ix, 369. New York: New York University Press, 1982. $35.00.

Burke's monograph is designed to test the accepted theory of the development of higher education in the United States proposed by Tewksbury's 1923 classic, *The Founding of American Colleges and Universities in the United States*, and elaborated in 1955 by Hofstadter's *Academic Freedom in the Age of the College*. These scholars viewed the development of higher education in the United States as dichotomous ideal types. Colleges prior to the Civil War were assumed to be elitist institutions run by local religious dominations that provided normative liberal arts education to a small number of affluent scholars. In contrast, postbellum colleges were viewed as providing vocational and professional education to the sons of the new immigrant populations and served as agents of change, democratizing societal institutions by providing avenues for occupational and social mobility. In this theory, developed by reformist professional educators of the early twentieth century, colleges were seen as independent variables. Changes in their policies and curricula were thought to be effective mechanisms for changing economic, social, and political institutions.

Burke's findings refute these early ideas with data collected from the Library of Congress, college yearbooks, and national biographies. He documents the changes, by decade, from 1800 to 1860 for the founding and mortality of colleges, enrollments, student's social and economic background, and subsequent professional career achievements. Then he tests his findings with post-Civil War statistics. These data indicate that college and university development was a continuous process in which college policies and curricula, rather than being rationally determined independent variables, were dependent on changes in their social and economic milieu. Students both before and after the Civil War made college-entry decisions based on the cost of investment in education, lost income, and the economic benefit to be derived from careers made possible by higher education.

The growth of colleges was a response to increased population growth in different regions, rather than denominational policy. With a fledgling national government unable to support education, it was the denomina-

tions that provided resources for education. Colleges were founded in the areas with the least public support, and interstate migration to attend school traced denominational lines. Colleges, which in the colonial period attracted a homogeneous urban elite, came to provide education and upward mobility to broad segments of the American population. Until the bureaucratization of the professions, it was the liberal arts, rather than professional training, that served as gatekeeper to upward mobility through providing entrance to the law, medicine, teaching, and the clergy. Entry into business was limited to urban populations with high social standing and family connections.

Burke was able to revise the assumptions of educational development by testing earlier assumptions empirically. In addition the early reformers made the mistake of using established eastern schools as models for a growing country. As a result they were unaware of the role of the interaction of regional social and economic institutions and students' aspirations in structuring the nature and personality of individual educational institutions. Their view was further limited by focusing on universities and colleges. They failed to notice the popularity of the new vocational school of nursing, business, and education. These nonuniversity educational organizations provided occupational mobility at less cost to sons of low-income families and women whose economic potential could not justify expensive education.

The monograph is important as a model of the role of descriptive research for the development and revision of substantive theory. It is substantively interesting at a time when the value of a university education is again being challenged by alternative providers: industry, professional associations, and community colleges.

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DELORIA, VINE, Jr. and CLIFFORD M. LYTLE. *American Indians, American Justice.* Pp. xiii, 262. Austin: University of Texas Press, 1983. $19.95. Paperbound, $9.95.

This admirable book analyzes the roots of Indian tribal government and justice and how they have been modified by the American legal system. It asks the important question, How much of Indian self-government and traditional Indian culture and values can survive, given the pressure toward adapting Indian institutions to the values of contemporary American society?

Both authors are lawyer-political scientists and their principal interest is studying the pervasive influence of the white man's political system on the Indian tribes. The federal government has greatly affected tribal institutions; significant Supreme Court rulings provided the basis for the government's absolute power over Indians. Congress has pursued vacillating policies ranging from the treaty-making period through removal and relocation, allotment and assimilation, to reorganization and finally self-determination. Executive branch and paternalistic bureaucratic wardship have weakened tribal institutions.

The story is told in a direct, nonpolemical, but profoundly convincing manner that leads one to the conclusion that federal policy has often been guided by the ethnocentric belief that Indians should be encouraged to adopt the values and civic ethic of white America and that similarity, not diversity, characterizes Indian tribal institutions and values. Federal intrusion into tribal governance has had the effect of rendering tribal self-government dormant, weakening tribal courts, and eroding adherence to tribal customs and religious rituals. In the area of tribal criminal justice, federal preemption of serious crimes has stripped tribes of the authority to deal with much criminal conduct.

Because reservation Indians are subject not only to tribal, state, and federal governments but also to shifting congressional policy and the legalistic maze created by

treaties, federal laws, court opinions, and tribal constitutions, the task of rendering complexity to an acceptable level of simplicity and clarity is a major challenge. Deloria and Lytle have succeeded. Subjects such as the concepts of Indian country, tribal criminal and civil justice, and self-government are splendidly described. It is argued that the concepts of tribal sovereignty and Indian country are now merely backdrops against which federal preemption, constitutional rights of Indians, and other policy issues are examined.

Deloria and Lytle not only examine contemporary Indian judicial institutions; they also evaluate their strengths and weaknesses. Other topics dealt with include legal representation and defense of Indian rights, Indian legal interest groups, and current issues regarding voting, criminal defendants' rights, religious freedom, and entitlement to basic educational and social services.

In sum, Deloria and Lytle have compellingly presented a strong case that the weakening of tribal self-government and traditional customs and values has been fostered by the insensitivity and lack of understanding underlying federal policy with respect to tribal governance. Federal policy since 1961 has been somewhat more enlightened. The success of this book is that it untangles the complexities of the evolution of the Indian judicial system in a manner that lay and professional readers will find engrossing.

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DINKIN, ROBERT J. *Voting in Revolutionary America: A Study of Elections in the Original Thirteen States, 1776-1789.* Pp. x, 184. Westport, CT: Greenwood Press, 1982. $27.50.

In this sequel to his *Voting in Provincial America* (1977), Dinkin examines the electoral process during and after the American Revolution. Tracing changes in both attitudes toward politics and electoral practices, he argues that the colonial political system was profoundly democratized during the 1770s and 1780s; this transformation, which ushered in many of the practices common to modern political systems, provided the underlying conditions for the emergence of a two-party system in the 1790s.

Among the major elements of this political transformation were the following:

— an increase in elective offices, including, most important, the upper houses of the legislatures and in five states the governor;

— a reduction in property requirements for voting, which expanded the electorate from perhaps 60 to 80 percent of free, white, adult males;

— more frequent elections and greater rotation in officeholding;

— greater use of the secret ballot rather than open voice voting, by which wealthy men exacted deference from lesser men they held in clientage;

— reduction of the property requirements for officeholding; and

— the adoption of more strenuous and direct appeals to the electorate by candidates.

These changes were by no means uniform among all the states, but everywhere the direction—if not the degree—of the change was similar.

Collectively, these innovations led to a more open and contested political atmosphere in which men below the elite began to run for office; in which elections became more heated and issue oriented; and in which the electorate grew more insistent that its representatives reflect its interests. Although the war-depleted ranks of the old colonial elite resisted change, the rising political consciousness of the ordinary citizens was steadily translated into liberalized laws governing the political process and into more assertiveness by the populace. The dreaded

day had arrived, as one Massachusetts nabob lamented, when "every drabbling dishclout politician, however various their opinions, have all some kind of observation to make upon the times." Thus by the time the first Washington administration began to split into Federalist and Democratic-Republican factions, the rudiments of a modern electoral system had already taken form.

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ELDOT, PAULA. *Governor Alfred E. Smith: The Politician as Reformer.* Pp. ix, 482. New York: Garland Publishing, 1983. $55.00.

Historians have argued for a long time about the meaning of Al Smith and the nature of his America. Among other things, they have been interested in why such a noteworthy innovator of the 1920s could become such an outspoken enemy of FDR and the New Deal in the 1930s. Was it a question of Smith's changing, some have asked, or was it really more a matter of the changing times? Did a fairly consistent Smith appear liberal in the conservative decade of the 1920s only to seem conservative in the more liberal decade that followed?

Eldot is thoroughly conversant with the historiographical controversies that have swirled around Al Smith, and along the way she recapitulates many of the most important of these arguments as a backdrop to her own study. Eldot herself enters the debate with a book that is highly favorable to Smith.

> A refreshing candor marked the entire political career of this man, who never feared to take positions unpopular with his church or the general public, as for example when he defended civil liberties at the height of the Red Scare [p. 222].

Basically what Eldot seeks to show is that Smith, as governor of New York, was a vital link between the progressivism that preceded the 1920s and the New Deal reforms that came later. Thus she seeks to locate him squarely in the American reform tradition. "The following pages will demonstrate that Al Smith, the politician who ran for president, deserves recognition as Governor Alfred E. Smith, the reformer who bucked the conservatism of the age of normalcy" (p. 26). Eldot's procedure for establishing her major point is to take the reader through a meticulously detailed, topic-by-topic treatment of each of the major areas of Smith's activity as governor—restructuring the state government, public finance, the state park plan, housing policy, the conservation of human and natural resources, and so on.

The results are mixed. Although Eldot's research seems commendably thorough and although many of her contentions seem valid enough, there are some problems here—problems, unfortunately, having more to do with form than with substance per se. The book began as a dissertation, and it still has too much of the sound and feel of a dissertation. First, the organizationl structure, though workmanlike, gives a rather plodding quality to the study; and the prose, though readable, is often unexciting. Moreover, at times there is too much detail. Indeed the same basic position could be developed even more effectively in perhaps half the space. Finally, the index that has been prepared for the dissertation's publication in book form is simply not adequate.

This brings us, ultimately, to the question of the serviceability of the volume at hand. It is unlikely that many undergraduates in history or the social sciences would be required to wade through all of it, for the instructors of those undergraduates will probably continue to cover this period of American history by assigning a book such as Oscar Handlin's *Al Smith and His America.* For their part, those advanced graduate students and professors who are in Eldot's field would have been able to avail themselves of Eldot's study in its earlier dissertation form. Given all this—and given the high cost of the book—it would not seem

that *Governor Alfred E. Smith: The Politician as Reformer* would have a wide readership.

In sum Eldot has made a substantial contribution to our understanding of Smith's governorship; but it is ironic that that contribution has been put in a form that will make it less usable than it otherwise might have been—less usable, alas, than it deserves to be.

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KEELER, THEODORE E. *Railroads, Freight, and Public Policy.* Pp. xi, 180. Washington, DC: Brookings Institution, 1983. $24.95. Paperbound, $9.95.

This book provides a detailed analysis of government policies as they have affected railroad freight transportation in the United States. It describes the technological and other changes that have occurred during the long period of public regulation of the railroads, leading to the conclusion that policies that earlier may have possessed some merit have long since become outdated and inefficient. Alternative theories of regulation are applied to this regulatory experience, with primary endorsement given to a theory that focuses on the political influence of buyers and sellers in regulated markets.

Chapter 1 establishes criteria for evaluating the financial viability of railroads and concludes that one-half or more of the nation's railroads are unprofitable, pending future regulatory changes. A general history of transportation regulation is provided in chapter 2, dating from its medieval British common-law beginnings, and formal U.S. beginnings in the nineteenth century, to the present time. The third chapter demonstrates the presence of scale economies in the railroad industry, followed in chapter 4 by an evaluation of the social goals of regulation as well as the economic effects of such regulation. Chapter 5 examines recent regulatory reform. Chapter 6 considers various nonregulatory policies that importantly influence the railroad industry. An overview of the topic is presented in the seventh and final chapter, which includes an appraisal of the future outlook for public policy toward the railroads. The text is supplemented by four appendices, numerous tables, and several graphs. The placement of detailed material in the appendices allows for smooth reading.

In all, the book provides a useful analysis of both past and present public policies in the rail freight industry. Moreover, the extensive documentation provides readers the option of pursuing the subject in a more intensive fashion. However, the discussion follows too closely the current wave of deregulatory fervor. As a result it does not adequately reflect the possibility of reaping future benefits from improved regulation as opposed to following a policy of significantly reduced regulation. Furthermore, although the distributional effects of deregulation are considered, they are relegated to a position of secondary importance in line with the usual efficiency emphasis of modern economics. In addition, the long-run perspective that accompanies arguments for deregulation tends to make obscure the short-run but very real transitional costs of deregulation, such as those now being experienced in the airlines and communications industries. This short-run cost can be a high price to pay for pursuing the goal of greater long-run allocational efficiency, the achievement of which is not in itself an inevitable outcome of deregulation.

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Tucson

MATTHAEI, JULIE A. *An Economic History of Women in America: Women's Work, the Sexual Division of Labor, and the Development of Capitalism.* Pp. xiv, 372. New York: Schocken Books, 1982. $29.50.

Matthaei has produced a work of the first order in *An Economic History of Women in America.* The broad sweep of the book, its intellectual richness, and the importance of the phenomena addressed make it significant for economists, historians, women's studies scholars, sociologists, political scientists—indeed for all interested in major transformations in family and economic life.

The panorama Matthaei explores extends from seventeenth-century England through several hundred years of American experience to the present. By tracing the interrelated developments of capitalism, conceptions of womanhood and manhood, and the sexual division of labor across this reach of history, the extent of change becomes clear. Not only are our lives different from those of our parents, a characteristic inhering solely in recent history, but, Matthaei suggests, in the contemporary period masculine and feminine worlds have overlapped and begun a process of interpretation, placing us within sight of a truly new social order.

Certain perspectives shape Matthaei's analysis. She understands reality as socially constructed and, as a Marxist, views history as a process that has its own laws and is progressive. With such analytic tools she examines women's work, beginning with the family economy.

In the first stage examined, economic and family life were merged in the household production unit. Women and men shared a common sphere of activity, but women worked at the private provisioning for family needs while men centered on commodity production. Over time this family economy yielded to the factory system and wage labor. At this stage the family as we think of it came into being, and households became homes. At the same time, women and men began to inhabit different spheres of social life: women's realm was the family and men's was the economy. The sexes were complementary; different but equal. The cult of domesticity distinguished and elevated women's work, which shifted from production to consumption, a shift linked to the development of capitalism. The cult of domesticity and the idea of womanhood that it involved encompassed inherent contradictions, leading to the breakdown of the sexual division of labor in the twentieth century.

The third part of the book elucidates these increasing contradictions. Here Matthaei discusses "the universalization of needs" within the competitive hierarchy of consumption, a process peculiar to capitalism with many implications. For example, with needs ever expandable within the hierarchy, wealth and poverty cease to have absolute meaning. This "relativity of neediness" led, as did the two world wars, homemakers to enter the paid labor force. A synergetic process was thereby created: as more homemakers worked outside the home, their families moved up the income hierarchy and put pressure on homemakers who stayed home. Further, the more homemakers entered the paid labor force, the more acceptable it became. This, Matthaei argues, represented a crucial transformation of the sexual division of labor, enlarging the wage-earning homemaker's freedom, responsibility, and self-esteem, undermining the either/or choice of marriage versus career, and depreciating the value of the full-time homemaker. In addition this entry has contributed to a breakdown in the sex-typing of jobs:

> the more that a woman's labor force career was followed *in addition to* the career of homemaking, the less need she had to affirm or prove her femininity by entering one of the "women's professions" [pp. 290-91].

All these developments have contributed to the "symmetrical marriage," in which spouses, rather than specializing in either family or economic life, participate actively in both spheres. Matthaei argues that the symmetry precipitates yet more fundamental alterations in such areas as child rearing and child development, self-concept, social relations, job structure, and institutions. The book closes with the prospect of these transformations.

This brief review of Matthaei's main line of argument can only hint at the book's depth, insight, and provocativeness. It is a scholarly work, well researched, well written, and well worth reading.

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McADAM, DOUG. *Political Power and the Development of Black Insurgency, 1930-1970.* Pp. vii, 304. Chicago: University of Chicago Press, 1982. No price.

This book delivers a fresh, rich, and dynamic model to explain the rise and decline of the black insurgency movement in the United States. It portrays this phenomenon within a political process perspective, the core of which is structured around the interaction of four key variables: organizational strength of the insurgents, political opportunities available to challengers, psychological propensity to question extant authorities, and reactive patterns of established powers to a movement. Within this multilayered contextual framework a vast array of information, both historical and contemporaneous, pertaining to the viscosity of black-white relations during most of the twentieth century is given coherence and meaning. Indeed the breadth and depth of analysis is praiseworthy, especially considering that the subject matter regrettably has become far less fashionable to the academic —and political—community these days than it was a decade or so ago. Fault lines, unfortunately, do mar the otherwise solid bedrock of this book.

Without a comparative insurgency movement—say, among women, Chicanos, gays, or farmers—the question of whether the political process model transcends the unique conditions of blacks in white America remains open. Lack of precision in defining key terms, such as "insurgency" and the "structure of political opportunities," is troublesome. There is a tendency to let events provide meaning to major concepts, with the attendant result that conceptual parameters frequently defy location, thus impairing future research along the lines suggested by the political process model.

Further, construction of the political process model occurs at the expense of others. At times the theoretical and empirical critique of counterperspectives is illuminating and constructive, exemplifying the best of knowledge building in social science. Consequently the occasional lapse in both style and substantive argument is annoying and obvious. For instance, McAdam's analysis of the classical tradition of understanding insurgency as a collective psychological response to societal stress moves from eloquence to strained debunking. Treating numerous writers as a uniform lot masks important divergences within this literature. The factual dismissal of this school, presented in chapter 6, is not particularly convincing, especially when some unnecessary juggling of statistical routines appears, as in Table 6-2.

Likewise, the resource mobilization model of insurgency is discounted too prematurely. The data base employed to rule out the possibility that an elite might have fueled black insurgency is insufficient for the task. The treatment of pluralism fails to give due recognition to the fact that many pluralists—especially Robert Dahl—are quite sensitive to the problems that the black experience poses to their notions about the distribution of political power in America. Indeed, a pluralist scholar such as Robin Williams could make a good case that the very factors contained in the political process model are representative of the resources available in a pluralistic system that, when arranged properly, can compel change. Finally, the attempt to link the political process model with a Marxian theory of political power requires sophisticated elaboration or elimination. That this connection is drawn

only briefly in the earlier part of the book, failing to reappear even in the concluding chapter, indicates that elimination might have been the wiser choice.

Nevertheless, blemishes and all, the versatility and potential of the political process model in accounting for social movements makes this an important work, worthy of a great deal of attention.

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RAVITCH, DIANE. *The Troubled Crusade: American Education, 1945-80.* Pp. xiii, 384. New York: Basic Books, 1983. $19.95.

Ravitch has developed a fascinating history of American education in the last 35 years. It is a splendid description and analysis of the troublesome problems and endless conflicts, in contrast to the successes and achievements, in the educational community from the end of World War II until today.

It is difficult to summarize and review this long and complex book. Therefore the focus here will be limited to only two examples: the pressures within the educational institution and the social forces outside the schools.

First, beginning with the 1920s and 1930s, the phenomenon of progressive education shaped the pattern of thinking and programming for the schools. In 1945 progressive education was hailed as the acme of educational progress and development. Ten years later this philosophy quietly crumbled and died. What actually happened was a pronounced shift in the objectives of learning. Under progressive education, instead of concentration on intellectual development and mastery of subject matter, the concern focused on social and emotional development and awareness of vocation, health, and family life. Consequently learning was focused on such areas as how to earn a living, how to get along with other people, and how to stay healthy. However, the reality of Sputnik and the need for concrete knowledge of math and science brought about the downfall of progressive education.

The second influence on education was the problem of racism, or the imbedded belief that variation in the color of skin implied substantial differences among black and white people. Gunnar Myrdal forewarned about this brewing conflict in American society, yet the obvious social gap between the American creed of freedom and equality and the practice of segregation and discrimination was completely ignored. While the battles were fought in the courts, with classic decisions ensuing—such as the 1954 Supreme Court decision that outlawed the doctrine of separate but equal—the main arena for the battles of desegregation and equality was in the public school system. The election of John F. Kennedy to the presidency in 1960 firmly established the civil rights movement to counteract the imbedded racist patterns in American society.

This study surveys the field of education not as isolated academic developments but as dynamic experiences that were intertwined with the social forces of the time. Thus federal aid to education, community control, and black nationalism are discussed as the major social problems in American society but concentrated in the field of education. In fact, the eight chapters of the book might have been published as eight separate studies that explore some specific social problem.

Finally, Ravitch meticulously researched the vast literature in the field and provides each chapter with excellent guiding notes. These notes serve both as an explicit reference to the sources and as a comprehensive bibliography of the vast literature. Some may take issue with Ravitch about the absence of any data used for the study. Ravitch, however, used the existing, scattered literature to develop an extensive analysis of the last three and a half decades. The

result is that the field of education has been greatly enriched by this superb study.

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SABATIER, PAUL A. and DANIEL A. MAZMANIAN. *Can Regulation Work? The Implementation of the 1972 California Coastal Initiative.* Pp. xi, 389. New York: Plenum Press, 1983. No price.

LITAN, ROBERT E. and WILLIAM D. NORDHAUS. *Reforming Federal Regulation.* Pp. x, 204. New Haven, CT: Yale University Press, 1983. No price.

"Governmental regulation." The words stir up complex responses from Americans of all political hues. Regulation is woven into the fabric of our thoughts about political freedom and the proper role of government as a protector. The breadth and depth of governmental regulatory activity encourages widespread discussion and colorful rhetorical excess. Is there a more timely subject for serious scholarship concerning American domestic policy?

Reforming Federal Regulation and *Can Regulation Work?* each provide us with a thoughtful examination of the requisites for successful regulatory activity. Litan and Nordhaus construct a critique of current regulatory policy and concentrate on proposals for improving the accountability, coordination, and cost-effectiveness of federal regulation. Sabatier and Mazmanian provide a rich and careful study of the politics of successfully implementing a single regulatory policy in a state. Together the books cover a wide range of theoretical and practical issues concerning regulation. The scholarly restraint exercised in these presentations may serve to dull the appetite of some casual readers, but the nourishment provided in each serving should sustain anyone.

Litan and Nordhaus argue:

> In theory, regulation should arise as a response to market failure. In practice, regulation is more accurately characterized as a government tool for *redistributing* society's resources toward those groups that have successfully enlisted the support of the government on their behalf [p. 34].

As such, regulation must be understood in political as well as economic terms. Analysts who fail to understand that fact are doomed to misunderstand both the benefits from regulation and the problems that beset regulatory efforts. Armed with a proper understanding, however, it is possible to diagnose and prescribe.

The diagnosis is that federal regulatory efforts are systematically flawed by an insufficient degree of political accountability and by "statutory restrictions inhibiting agencies from balancing costs against benefits and from choosing less costly marketlike incentives."

These flaws can be remedied by the introduction of a comprehensive regulatory budget that would force the consideration of regulatory priorities by both the Congress and the president. The language of budgets—dollars—would encourage decision makers to address all regulatory issues in a consistent benefit-cost manner once the costs of regulation borne by the private sector were included in the budget. The budget metaphor carries with it the notion that regulatory activity that imposes costs above an agreed-upon level would be curtailed.

Litan and Nordhaus recognize that such a proposal would place inordinate demands on our present political and economic institutions. But, they argue, such a regulatory budget can be viewed as an ideal, a goal. At a more practical level, a regular calendar of congressional and presidential review of major regulations would accomplish the goals of political accountability and policy coordination.

In this revised form, the proposal by Litan and Nordhaus is unobjectionable to anyone who accepts any proper role for the

government as regulator and who sees political accountability as valuable. Cynics might well argue that regulation is too important to be left in the hands of elected officials, but I could not.

My concern with this analysis centers on that intellectual keystone that is allowed to recede in the final proposal—benefit-cost analysis. Litan and Nordhaus claim that policy coherence and accountability demand benefit-cost analysis. Regulatory policy success is implicitly defined in terms of a favorable benefit-cost ratio. Only the political practicality of getting half a loaf now argues for dropping it; but will the drop be temporary?

Yet benefit-cost calculations are notoriously ill suited to certain tasks because they assume that everything of value can be phrased in terms of financial compensation. The calculations are quite sensitive to the accounting rules employed for valuing future goods and services, and the usual accounting rules are well known for systematically understating the costs of producing irreversible damage and diminutions in the quality of life. Nowhere is this point better made than in attempts to assess the consequences of regulations concerning the natural environment.

In an exemplary piece of research on the standards for successful environmental policy implementation, Sabatier and Mazmanian scarcely consider this all too common benefit-cost standard. Rather, implementation success is defined in terms of the stated policy goals of the legislation, and the focus is on the variables that impinge on meeting those goals: the clarity and consistency of the legislative goals, the soundness of the theory that identifies the factors related to the policy objectives, the character of the implementation structures, the skill and resources of the implementation managers, and the presence of organized external constituencies along with a neutral judiciary.

Census and election data, roll calls, public opinion surveys, elite interviews, and archival material are combined with considerable facility to produce a detailed case study of the politics and policies of the California coastal initiative. This is more than a case study, however. Sabatier and Mazmanian have proposed and demonstrated the veracity of a most useful framework for the analysis of public policy implementation.

The utility of the framework is not a matter of speculation. Other scholars laboring in the public policy mines are already using this structure to assist in safe passage to their work site. I have significant quarrels with some of their multivariate analyses, but even there they are on ground solid enough to hold the weight. Suffice to say, this volume will be required reading for some time to come.

The contention of Sabatier and Mazmanian that is of most interest in the context of the larger discussion on regulation is that policies can be implemented successfully only when the goals are related clearly and correctly to the factors that affect those goals. It would seem that policy success does not simply depend on a favorable benefit-cost ratio if the policymakers did not set that as a goal. Rational and successful policy is that which gets the job done. Ultimately, regulation is a political question amenable to political, not economic, analysis. Sabatier and Mazmanian have remembered that. Litan and Nordhaus have not.

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SELEY, JOHN L. *The Politics of Public-Facility Planning*. Pp. xiv, 236. Lexington, MA: D. C. Heath, 1983. $23.95.

Seley's *Politics of Public-Facility Planning* is well titled. This immensely readable volume combines analysis with case studies in an integrative and comparative framework. The cases are diverse in terms of type of facility, characteristics of siting controversies, perceptions of impacts, and implications of outcomes, but they are held together by an ingenious method for integrating the

case material that should be readily applicable to a wide range of public-facility siting attempts. The siting controversies include cases involving urban renewal, an urban expressway, group homes for the mentally disabled, the disposal of radioactive waste, and recombinant DNA research facilities.

Of potentially greatest value to the reader is a highly original chapter on the methodology of case studies. Seley explains and then demonstrates the framework for organizing case study material according to dimensions of the siting process. He also proposes scaling units for these dimensions and methods for recording the changes of the dimensions over time. The procedure allows the investigator of a new case to approach his or her study with a ready-made checklist of 150 variables found to be relevant across the cases Seley examined. In the same chapter there is also a valuable synopsis of the life cycle of siting controversies and their variations.

Following the case studies and methodology chapters is an extensive section on impact assessment that highlights the issues of socioeconomic impacts and the difficulties in their identification and measurement. Seley reviews the shortcomings of conventional cost-benefit and risk-benefit analyses and proposes a number of optional approaches that incorporate the results of social science research on facility impacts.

An imaginative chapter follows that discusses a number of innovations for bringing those affected by the siting process into the negotiations. A summary section reviews some of the major approaches being used for resolving siting controversies, including use of the courts, mediation, arbitration, and compensation. The 28 pages of bibliography will provide readers with an immensely useful catalogue of cases and methodological source material.

I heartily recommend this volume to social scientists, policy analysts, and planners. The problems of siting valuable but unwanted public facilities is presented in a format that is rigorous and thorough, yet highly readable. The book is an important contribution to a very significant problem.

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TUCKER, ROBERT W. and DAVID C. HENDRICKSON. *The Fall of the First British Empire: Origins of the War of American Independence.* Pp. ix, 450. Baltimore, MD: Johns Hopkins University Press, 1982. $24.00.

Tucker and Hendrickson have written a book that attempts to shift responsibility for the advent of the American Revolution away from the British and in the direction of the colonists. Their interpretation, although differing in general and in particular from my own, raises provocative questions about the years between 1763 and 1776 and should produce some rethinking of issues during this period.

According to Tucker and Hendrickson, the conclusion that British policy initiated Anglo-American friction rests on the inclination of post-World War II historians to spotlight events immediately preceding the American Revolution. Such historians are able to fault the alleged innovations of the British only by accepting the limited and inaccurate definition of the status quo advanced by the colonists. It was, in fact, the Americans who disturbed the status quo by gradually undermining the imperial connection. Even their assumed willingness to allow parliamentary regulation of trade was more apparent than real. The British, on the other hand, were merely trying to preserve some semblance of order, and the measures adopted between 1763 and 1775 aimed only at the continuance of a status quo that the colonists had seriously undermined.

Tucker and Hendrickson argue that the great war for empire was fought largely to defend the colonies, and victory brought the metropolis increased responsibilities. When the British took steps to accept this responsibility, however, they were thwarted by colonies willing to grant the form but not the substance of authority. The Rockingham, Chatham, Grafton, and even the North ministries wanted to avoid military conflict and so encouraged colonists in their claims with a decade of appeasement. But when, in 1774, it became clear that British authority in Massachusetts Bay was virtually nonexistent, the North administration was forced either

to accept American independence or to take steps to reassert British control.

The British government, according to Tucker and Hendrickson, had no viable alternative. The First Continental Congress offered no concession and confidently stood its ground in the expectation that the mother country would once more capitulate. The North ministry believed—correctly—that such capitulation meant loss of the colonies. The government also believed—incorrectly—that such a loss would reduce Great Britain to a secondary position in world affairs. This view, "accepted as an article of faith by virtually every significant political group in the country," would simply not permit the government to concede independence.

So we seem to have come full circle. The measures adopted by Britain were not incursions on the status quo—redefined—and were thus defensive in nature. The maneuvers of the colonists actually did intrude on the status quo—redefined—and were thus offensive in nature. " 'When *I* use a word,' Humpty-Dumpty said, in rather a scornful tone, 'it means just what I choose it to mean—neither more nor less.' "

In the final analysis Tucker and Hendrickson have written consensus history. They find agreement among both the colonists and the British, although their respective positions were, as John Shy has noted, quite incompatible. They may also be attempting a parable for our time: appeasement leads to loss, but one should not overemphasize the importance of what one is losing. If they play with words and overstate their case too often, they have nevertheless reminded us that all interpretive overviews lead to distortion. If they have passed over the fears of the Americans too easily, they have accurately noted that the British did, after all, have an empire to run, and what was it we expected them to do?

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UNDERWOOD, JAMES E. and WILLIAM J. DANIELS. *Governor Rockefeller in New York: The Apex of Pragmatic Liberalism in the United States.* Pp. xvi, 335. Westport, CT: Greenwood Press, 1982. No price.

Throughout the course of American history, hundreds of politicians have contracted White House fever. But in our own time few have had a more obvious or celebrated case of that republican malady than Nelson Rockefeller of New York. Because the closest Rockefeller came to his goal of being elected president was his appointment as Gerald Ford's vice-president, in his own mind Rockefeller had to regard his long political career as having an element of failure about it. After all, as he himself made clear, he "never wanted to be vice-president of anything."

This is a detailed examination of the 15-year governorship that Rockefeller had expected to be his springboard to the presidency. Specificially, Underwood and Daniels seek to evaluate Rockefeller as an example of the modern, pragmatic, problem-solving, liberal politician. To this end they establish a set of 11 criteria for pragmatic liberalism, and then they judge Rockefeller's career as New York's fifty-third governor by this model. The subtitle of the book makes clear their conclusions about how well Rockefeller measured up to the norms.

Indeed, as Underwood and Daniels see it, Rockefeller personified these norms. Thus Rockefeller's departure from the scene, they further insist, was nothing less than a reflection of the waning of pragmatic liberalism in general.

> When he no longer had the means to function as an effective problem solver in the pragmatic liberal style to which he had become accustomed, he left the office of Governor of New York State. More than any other event, his departure symbolized a decline in the currency of pragmatic liberalism in America [p. 255].

One of the strengths of this study is its striking characterization of the man and its

emphasis on how his political style manifested his character. Rockefeller had once gone to a John Dewey-type school, and life for him was problem solving. He had a monumental capacity for work and rarely did anything purely for pleasure. Business was pleasure for him. He regarded himself as an ideas man, so that others were to attend to the day-to-day details of administration. He spent his own money lavishly. He presented Henry Kissinger with a gift of $50,000 in 1969 and gave more than $.5 million to the United Jewish Appeal in the years before 1974. He also spent the state's money lavishly and was charged with having mortgaged its future in the process. He could be combative, determined, and persistent. He could rarely admit defeat.

> Finally, when all tactics failed to produce success and the legislature or public balked, Rockefeller proved adept at shifting the conflict to a new arena or finding a novel way to circumvent those who opposed his proposals [p. 151].

Although this collaborative study is based on thoroughgoing research and although there is much to be learned from it about the man and his methods, some substantial questions can be raised. To begin with, models are just that—models—and there is a certain arbitrariness about them, as we all know. Not everyone would agree with Underwood and Daniels's criteria for pragmatic liberalism. That aside, however, what is worse is that the model they choose eventually gets in the way of their telling the Rockefeller story. One sometimes finds oneself wishing that Underwood and Daniels would simply deal with the man as the unique person he was without worrying so much about how he met some arbitrary norms previously established. Moreover, there is a considerable amount of jargon in the study, and there are numerous occasions when the mode of expression detracts from the essential message. One example will perhaps suffice.

> Seeing the proper role of the president as the activist problem solver, a role that should only be filled by an activist leader such as himself, and being committed to the ultimate exercise of his life strategy as president, he could not, and would not, abandon the rhetoric or behavior appropriate to this conception and commitment [p. 81].

Obviously, what Underwood and Daniels are trying to say here could be said twice as well in perhaps half the words.

Even with these problems, however, this book still makes a decided contribution to our understanding of Nelson Rockefeller.

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SOCIOLOGY

ADAMSON, WALTER L. *Hegemony and Revolution: A Study of Antonio Gramsci's Political and Cultural Theory*. Pp. x, 308. Berkeley: University of California Press, 1983. $28.50. Paperbound, $8.95.

Since at least the 1970s Antonio Gramsci, a founder-leader of the Italian Communist Party, has increasingly been considered one of the most important—if not the single most important—Marxist theorists since Lenin. Among the few book-length studies of his thought that have recently become available, Adamson's recently published study—the hardcover was published in 1980—is clearly one of the best.

In his analysis of Gramsci's political and cultural theory, Adamson consistently seeks to place it in the intellectual currents and political events of the time. Thus Gramsci's writings are examined in chronological order, and Adamson seeks to bring out carefully the evolution of his ideas. He attempts "to present the overriding continuities in Gramsci's political understanding . . . to avoid any mechanical confrontation between the 'early' and 'late' Gramsci," which Adamson dismisses as "figments of the interpretative imagination" of those scholars, mostly Western Marxists, who posit such a

difference by contrasting his mature *Prison Notebooks* with the early writings.

In this study Adamson squarely places Gramsci in the group of Hegelian-Marxist theorists considered to be in the Western Marxist tradition, as distinct from the more orthodox Marxist-Leninists including Lenin himself. Intriguingly, the author cites Merleau Ponty's definition of Western Marxism and ignores Perry Anderson's major work, *Considerations on Western Marxism,* published in 1976, although the latter's book is to date the most definitive study formulating such a distinction. Indeed, Anderson's book is not even cited in Adamson's otherwise comprehensive bibliography.

In any case, the inclusion of Gramsci in the Hegelian-Marxist tendency, not to speak of the Western Marxist tradition, is problematic. In his admiration for Hegel, Gramsci was no more Hegelian than Lenin himself, who, in his *Philosophical Notebooks,* praised Hegel very highly. Surprisingly, Adamson refers to Gramsci's knowledge of this text, or at least of the "crucial chapter," "On the Question of Dialectics," which was published in March 1925, only in a footnote. Even in his criticism of Bukharin's mechanistic Marxism, Gramsci held a position similar to that of Lenin, who in his late December 1922 letters—the so-called Lenin Will or Testament—argued that Bukharin had never properly understood dialectics. It is therefore not sufficient to assert, as Adamson does, that "Gramsci's notion of the state subsuming both civil and political society resembles nothing so much as Hegel's conception of the state as the historical moment of civil society canceled and preserved." The Hegel-Marx-Lenin-Gramsci relationship is more complex than Adamson makes out, as recent commentators like Buci-Glucksmann, Anne Showstack Sassoon, and Eric Hobsbawm have shown.

At this stage, it is necessary to point out an apparent shortcoming in this fine study. The *Prison Notebooks*, Gramsci's major and last work, were written in Fascist Italian prisons and were therefore written in a particularly elliptical and allusive style so as to escape the censors. And at least from early 1933, as his biographer Giuseppe Fiori has noted, "Gramsci was already slowly dying" of tuberculosis, arteriosclerosis, and Pott's disease, to mention only the more major diseases that afflicted him at the time. These factors, of which Adamson is doubtless aware, make interpretation of the fragmented and unfinished *Notebooks* extremely difficult, yet he does not appear to take them into account. This is a serious lapse for a scholar so aware of the need to examine an author's works against the background of his life, even though he has cautioned readers that he has "not intended this as biography or even intellectual biography."

Despite these drawbacks Adamson's treatment of the *Notebooks* is illuminating. Above all, his analysis of what Hobsbawm has called Gramsci's "pioneer work on a Marxist political theory" merits serious consideration. Development of the concepts of hegemony, historical bloc, and the relative autonomy of politics is carefully scrutinized and evaluated, even though readers may differ with Adamson's conclusions.

This book must be considered necessary reading in the growing corpus of interpretive studies of perhaps the most exciting Marxist theorist since Lenin.

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HAAG, ERNEST VAN DEN and JOHN P. CONRAD. *The Death Penalty: A Debate.* Pp. xiv, 305. New York: Plenum Press, 1983. $16.95.

There are points that are positive and edifying about *The Death Penalty: A Debate.* In an effort to cover more completely its many controversial dimensions, van den Haag and Conrad argue the merits of capital punishment, as a deterrence especially. Van den Haag argues for the retention of the death penalty even though there is little evidence that it deters. Conrad's position is against executions because they are wrong, regardless of whether they deter or not. Van

den Haag and Conrad extensively debate the relevant data—although not much data are given—the constitutional and legal questions, and the justice and equality issues.

Some of the more enlightening exchanges are over the morals and meanings of capital punishment—for example, natural rights, sanctity of life, or the biblical bases. Each author calls on many historical figures in philosophy or politics to substantiate his side. These include Mill, Kant, Beccaria, Jefferson, and especially J. S. Stephen, who was a leading proponent of capital punishment in nineteenth-century Britain. Among other labels, Conrad identifies himself as a retributivist—believing that proper punishment is proper for the guilty—but also as an abolitionist. Van den Haag is identified as a utilitarian—believing that crime is prevented by intimidation, while execution deters would-be killers—and as a retentionist or advocate.

Just what audience the book is relevant to is not clear—perhaps the informed public. The reader should prepare for effort because of the sometimes obscure language with, for example, many legal Latinisms—not always defined—and tangents on what constitutes theory. But van den Haag is defensive here. The audience, he seems to fear, is college educated and therefore composed of already committed abolitionists. He advises us that "education does not necessarily produce judgment or stability." It is better to "heed the common people," or it is "common sense to presume that the more severe punishment is more deterrent," and the general or common sentiment for capital punishment is often "judicially sabotaged." Although couched as democratic, all this is unconvincing.

And what is Conrad's "maturing society"? Is it a more humane, advanced, educated, and European one? Do "standards of decency . . . evolve [progress?] as a civilization matures"? To Conrad, capital punishment is indecent and so perhaps are those who advocate it, now apparently including most Americans. This is not convincing either.

The book can be quite tedious and distracting. Conrad uses many high-blown characterizations of his "imperious opponent." Van den Haag "wherefores" us extensively and occasionally name calls; for example, his opponents are "uninformed do-gooders." Both authors make a number of unsupported assertions, while Conrad especially "postpones discussion till later." He does, however, eventually address most of van den Haag's points. The latter does not or perhaps cannot do the same to Conrad's. One example in particular is the case of the hit-man killer who is rarely caught and thus not punished. Capital punishment is irrelevant here.

Some other distractions include unnecessary appendices to several of the chapters. They are placed after the chapters, rather than at the end of the book, and merely continue the argument instead of, for example, providing empirical support. Second, there are too many getting-in-the-last-word occasions. Many chapters end with a series of short restatements of each position and an attack on the opponents. Finally, there are numerous points of agreement, of which we are told unnecessarily and often.

I do not believe this book will persuade many fence-sitting readers. Those already committed to whichever position may find some ammunition here. As for the rest, they could obtain information, especially on the history and background of capital punishment, but they will probably be unconvinced by the arguments of the book—if, in fact, they even read it.

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HEKMAN, SUSAN. *Weber, the Ideal Type, and Contemporary Social Theory.* Pp. ix, 213. Notre Dame, IN: University of Notre Dame Press, 1983. $19.95.

Hekman's book is a serious but vexing effort on an important topic. Max Weber's methodological writings, sprawling and unfinished, remain the most sustained, deepest reflection by a practicing social scientist on

the principles of inquiry of his own discipline. These writings have stimulated a library of commentary by three generations of authors from each of the major nations of the West—from Alexander von Schelting in Germany in the 1920s and 1930s to Toby Huff in the United States in the 1980s. Some part of this commentary, not least by the aforementioned scholars, has a pertinence and force that exceeds much contemporary discussion of questions that continue to plague social theory. The most eminent social scientist since Weber to have taken his methodology seriously, if critically, was Talcott Parsons, who wrote hundreds of pages on the topic over a 40-year span, from the late 1930s to the late 1970s—pages in which the general issues of concern to Hekman are discussed in considerable detail.

The book is vexing on two counts. First, hardly anyone other than Weber—and, of course, Rickert—appears to have existed for Hekman before 1965. If this is merely another instance of a too common historical myopia, it is not for that reason any more forgivable. Second, the work of the one scholar who has clarified many of the most difficult issues with which Hekman grapples—namely Parsons—has been utterly ignored. The reasons Hekman gives for ignoring Parsons's commentary, which perhaps also apply to the other commentary mentioned, are unconvincing. Parsons, she says, has not figured prominently in contemporary discussion. This is undeniably true if contemporary discussion is taken to have begun in the late 1970s. Yet Althusser, to whom she devotes attention as a representative of the structuralist and objectivist positions, had begun to fade from view precisely in the late 1970s and with the exception of Hekman's scrutiny is no longer much noticed. Further, Hekman observes that the recent resurgence of interest in Weber has repudiated Parsons's interpretation. Again true, but Hekman is highly, and I think justifiably, critical of much of the recent view of Weber. In a less creditable effort these inexplicable silences would be sufficient to dismiss the book as another tedious case of an ignorant scholar's muddlings.

Hekman's analysis is in the main forceful. She is particularly good at exposing several epistemological and logical inadequacies in the positions of Winch, Althusser, and the earlier Habermas. In part, however, she has set up something of a straw man by selecting to criticize two weak versions—namely Winch's and Althusser's—of the theories she wishes to integrate. The methodology and epistemology implied in the work, say, of Gadamer, Geertz, or Bellah, more powerful representatives of subjectivist theory, or in the work of Levi-Strauss, Needham, or Leach, whose structuralism is richer and suppler than the few hardened forays of Althusser, would have been more central to her concerns.

Hekman's discussion of Schutz's methodological views in relation to Weber's is suggestive but cursory. There remains unresolved the issue of the scope of Weber's ideal types and of whether in Schutz's view these types can be applied as well to the present as to the past. There is also the issue of the cognitive bias in Schutz's view of the world—doubtless due to his primary interest in epistemology—and whether this bias foreshortens the things to be included in any ideal-typical synthesis of social action. There is, finally, the meaning of intersubjectivity—crucial to Hekman's effort at synthesis—which is insufficiently developed in her discussion.

Nevertheless, within its limits Hekman's discussion is rewarding, rigorous, and fair minded. She concludes by drawing on the philosophical reflections mainly of Wittgenstein and Toulmin to clarify and strengthen Weber's conception of the logical status of social scientific theory. The discussion is too fleeting but fertile in its implications.

Hekman's conclusion points to an interesting question. If partly through her efforts social theories are synthesized, will we not yet be left with a further task of synthesis? Separately synthesized theories must themselves be brought together or we will have another version of the dilemma Hekman has set out to resolve. Intersubjectivity, the sharing of thought, is not achieved by fiat, but precisely through synthesis, which must

remain an ongoing effort. Perhaps Weber will again prove helpful. And not least Parsons. Hekman is a promising young scholar. I look forward to reading her future work.

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STUB, HOLGER R. *The Social Consequences of Long Life.* Pp. 278. Springfield, IL: Charles C Thomas, 1982. Paperbound, $16.75.

OLSON, LAURA KATZ. *The Political Economy of Aging: The State, Private Power, and Social Welfare.* Pp. 272. New York: Columbia University Press, 1982. Paperbound, $12.50.

Both of these books have appeared at a time when growing old in American society has prompted politicians to take greater interest in the cost of growing old and in limiting the institutional victimization of the elderly. As I was reviewing these two books, the Los Angeles City Council decided to take emergency measures to curtail the increasing number of evictions among the elderly in the city. The city was quick to realize that the coming of the Olympics would be the right opportunity for landlords to optimize their rental fees. After all, once the Olympics are over, those same units can be converted into condos and sold to the up-and-coming young professionals.

The Social Consequences of Long Life is a social psychological and sociological analysis of increased life expectancy in everyday life. The book examines how changing conceptions of life expectancy have been associated with social transformations of the past two centuries. By examining life expectancy as a cumulative process, Stub asserts that it is possible to understand the impact of increased life expectancy on the structural expansion of modern society. For example, Stub argues that advances in the treatment of disease during the last century have increased the life expectancy of individuals, and, as a result, society has had to develop the necessary structural arrangements, such as increased schooling of the young, to accommodate individuals with a long-range perspective on life.

Stub's book is interesting, well written, and amply documented. Some of the questions he raises—"At what point does a society become aware of the social consequences from increased life expectancy? What effect does increased life expectancy have on social relationships and the structure of social opportunity?"—permit the reader to view long life as an issue that requires greater social definition, a greater presence in the educational process, and a stronger role in the political implementation of its meaning. By institutionalizing the presence of increased life expectancy in modern society, Stub clearly demonstrates, the problems of the old are transformed from moral concerns to technical concerns.

The Political Economy of Aging is an extremely concise analysis of the social and political problems associated with the uses of old age in a capitalist society. Olson's perspective is that old age has become a necessary instrument in a capitalist society's quest for capital formation. The social and political problems of the old are therefore bureaucratic creations that mystify the real social problems faced by the elderly—victimization, poverty, homelessness, disease.

What is most interesting about this book is Olson's use of population data for the 65-and-over population in the United States from 1900 to the present, coupled with an examination of federal expenditures for the elderly to contrast the following viewpoints: the free-market conservative who advocates more solutions from the private sector for the public problems of the elderly; the liberal accommodationist who argues for more public programs to confront the everyday dilemmas of old age; and the radical who advocates a revolutionary change in the state's conception of old age.

Second, Olson's use of demographic data, together with an analysis of private and public pension plans for the elderly, clearly communicates the instrumental role of old age in a profit-oriented environment: capital investment in longevity secures greater profits

and diversifies the nature of investments while at the same time limiting the amount of cost on the source of investment. In other words there are big bucks to be made from the elderly because the elderly will never be in a position to recover their total investment in such things as pension plans. To facilitate matters, Olson argues that pensions plans have maximized their investment of pension funds by attaining a high level of collaboration from the medical sector, which seeks to stabilize, rather than to improve, the health status of the elderly. That is, the medical sector in society also recognizes that stabilizing the health status of the elderly guarantees higher profits than does actual improvement of their health status.

As a whole, these books complement each other quite well. Where Stub examines the social presence and meaning of long life, Olson analyzes the capitalistic manipulation of long life for profit and capital formation. Where Stub calls for greater recognition of the meaning of increased life expectancy, Olson calls for less exploitation of the elderly. In short, both books demonstrate in a clear manner that the elderly are valuable to society but relatively meaningless in their recognition by society.

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TAYLOR, LARRY. *Dutchmen on the Bay.* Pp. xviii, 206. Philadelphia: University of Pennsylvania Press, 1983. $12.95.

Dutchmen on the Bay is an anthropological account of the Dutch shellfish industry community of West Sayville, Long Island. Taylor's account covers the period from 1730 to the present but focuses on the period between 1880 and 1910, when the oyster industry was at its height and key changes were taking place in the Dutch immigrant community.

Taylor makes no pretense of covering every aspect of the culture of this Dutch immigrant community, but rather focuses attention on what he calls the contractual community—the social world of Calvinism—marked by extreme tension between the individual and the society as a whole. The Dutch community of West Sayville is perhaps one of the most ideal places to explore this question. It was dominated by two warring congregations dedicated to repressive Calvinistic dogmas; it was inhabited by Baymen and shellfish shippers, who, like many fishermen, are highly entrepreneurial and independent. Conflict was inevitable, not only between individuals and the congregations to which they belonged but between fishermen and Baymen and the shippers, who controlled their means of livelihood.

Taylor argues that the constant conflict and confrontation, rather than fragmenting the community, served to integrate it. Following Simmel, Taylor asserts that West Sayville was a community of confrontation. If members of the community disagreed, at least they agreed on what the conflicts were about and the rules by which the game was to be played.

Dutchmen on the Bay, however, is more than an ethnography of a small, unique ethnic group. The relationship between the individual and the society has long been a key issue for the social sciences as a whole. If Taylor offers no definitive answers or startling theoretical breakthroughs, he does add another case study that makes a clear contribution to the literature. He also adds another dimension to our understanding of the Protestant ethic and the nature of capitalism.

Taylor's book sheds light on aspects of U.S. history and American society in chronicling the experience of an immigrant group that made a unique adaptation—aquaculture—to the environment in which it found itself; he illustrates the way the community changed in response to the changes in the fishing industry, in technology, and in trends in American history as a whole.

The book also contributes to the study of maritime societies. The cultured oyster industry was one of the first commercially successful aquaculture operations in the New World. This industry, which depended on techniques brought with the immigrants from the Nether-

lands, is described in some detail by Taylor. Taylor gives his description of the 1902 strike against the oyster shippers an interesting twist. Most strikes in this period are presented as confrontations between capitalists and workers; Taylor suggests this one might better be seen as a reaction to an enclosure of the commons that occurred when a change in the legal system allowed leasing of the oyster beds—a change that Dutch entrepreneurs were quick to take advantage of.

Nothing in *Dutchmen on the Bay* will strike American readers as bizarre or unusual. Dutch culture and American culture are two variants on Western European culture. They differ in degree, not in kind. But the ordinariness of the West Sayville ethnography should not obscure the contribution Taylor has made. He has ventured to examine and explain a variant of his own culture—a most difficult task for an anthropologist.

If anything, Taylor's book is perhaps too ambitious. In a book of under 190 pages he attempts to cover everything from the ethnography of present-day West Sayville and the immigration of the Dutch to Long Island to the history of the oyster industry and the religious schisms that rocked the Dutch community. At times descriptions of important events and techniques seem inadequate and truncated. No quantitative data are offered. I suspect Taylor, in common with historians, was able to gather some data on a vast number of topics, but not enough on any one to do a complete analysis.

Dutchmen on the Bay is unusually well written. Taylor handles the English language with wit, élan, and precision. The book should be of great interest to those interested in maritime communities, European immigration into the United States, and the relationship between the individual and society.

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ECONOMICS

APPLEBY, JOYCE. *Capitalism and a New Social Order: The Republican Vision of the 1790s.* Pp. x, 110. New York: New York University Press, 1984. $16.50.

This excellent little book is part of a distinguished series of studies, each of which developed out of the Anson G. Phelps Lectureship on Early American History. This volume attempts "to uncover how the market economy influenced the way people thought about politics and the human potential for purposefully reordering social institutions." Appleby's specific focus is the manner in which growing economic commercialization influenced the world view of many Americans, especially the Jeffersonians. During the 1790s, they "coalesced around a set of ideas—radical notions about how society should be reorganized." This vision, institutionalized during the early nineteenth century, stimulated the continued development of American capitalism.

Appleby convincingly locates the creation of a new economic and political point of view in the transformations that occurred in the American and English economies. In the subsistence economies of sixteenth-century England and early New England it was expected that the government had a moral obligation to intervene in daily economic affairs for the public good, in order to ensure the distribution of life's necessities to everyone. Correspondingly, the notion of the existence of limited social wealth meant that one person's material advance came at the expense of another's decline. Thus morality and economic activity were intimately intertwined; to charge more than a just price in order to maximize profits was to offend social standards.

The economic structure of seventeenth-century England and eighteenth-century America grew increasingly commercialized, drawing into its web not just merchants but artisans and farmers as well. The outlook of many people changed to sanction their new economic behavior. A new conception of sustained prosperity and the possibilities of

unlimited social wealth meant that individual material improvement was not necessarily detrimental to the physical condition of others. Not only did the idea of innate human motivation based on self-interest receive wide acceptance, but the government's role in the economy also was redefined. A self-regulated economy operating on the natural principle of individual self-interest was harmed, not aided, by government intervention.

Contrary to the popular image of Jeffersonians as backward-looking agrarians who hoped to retard economic development, Appleby argues that because they adopted this new economic vision, they shaped American institutions to facilitate the growth of capitalism. Eschewing the traditional Federalist ideas of deference and hierarchy, the victors of the Revolution of 1800 adopted self-interest as a radical means to establish their fundamental belief in democracy and equality.

Appleby offers both a valuable explanation of the development of a capitalist ideology and a needed corrective for the traditional image of the Jeffersonians. However, like many revisionists, she may push her argument too far. Too much has been uncovered about their fear and loathing of the common people and their belief in a natural aristocracy to totally embrace Appleby's new image of the Republicans as radical democrats committed to a classless society. This caveat aside, this is an excellent book, written in a lively style and particularly well suited for classroom use.

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HANKEL, WILHELM and ROBERT ISAAK. *Modern Inflation: Its Economics and Politics.* Pp. 222. Lanham, MD: University Press of America, 1983. $23.50. Paperbound, $10.25.

This is a good book, with a well-stated central argument, sprinkled with insights into the modern inflationary process. It is a book dealing with modern inflation. It relies heavily on the central role of inflationary expectations and analyzes inflation mainly as an integral part of the entire socioeconomic-political process of growth and claims on income shares in modern participating democratic societies. It has no rigorously stated model to be subjected to mathematical econometric testing of the kind so dominant in modern macroeconomics. It is in the tradition of Schumpeter, Wicksell, and Hayek. Thus the book will probably be highly criticized, or disregarded—I think, incorrectly—by many modern economists who are interested mainly in rigorous theoretical models that can be econometrically tested.

In this brief review, it is impossible to state the sophisticated, intricate reasoning the authors use in building this picture of modern inflation and problems it raises for us. Let me list instead merely a few typical propositions, which I hope will give some flavor of the book.

1. Modern inflation arises out of the process of economic growth and change and can be understood only as part of these processes.

2. Entrepreneurship and investment play central roles in the process of growth and expansion in the modern economy; thus the behavior of entrepreneurs and investors is crucial to understanding real growth and the development of inflationary pressures in society.

3. Aggregate monetary demand in excess of real supply accounts directly for much of the immediate inflationary pressure in modern market societies. But the excess demand is fundamentally explainable by the income demands of different groups. Hankel and Isaak suggest that these demands can be illuminated partly by grouping people into four ideal types: entrepreneurs, defeatists, free riders, and maintenance men. The titles convey some flavor of the attitudes and behaviors of the different groups.

4. Modern industrial, political-democratic societies are inflation inclined. Excess income claims press governments to spend more than they collect in taxes. The political process makes it substantially impossible to

check the expansion of money that is needed to finance the inflationary growth.

5. In the modern Western world, t! growing importance of international money, called xeno credits, has produced a way of satisfying the increased demand for money substantially outside the effective control of individual nations. The growth in xeno credit thus plays a crucial role in setting off and maintaining inflationary spirals.

6. The welfare state plays a central role in this process because individuals and groups come to believe they are entitled to more. How long the illusion of inflation succeeds in fooling the public is crucial to the continued life of big inflation. Economics, politics, and sociology are intricately interwoven.

Hankel and Isaak have written a somewhat old-fashioned book as far as methodology is concerned. They have, however, made a serious effort at interdisciplinary analysis of an obviously interdisciplinary phenomenon, weaving it into the whole economic-political-sociological milieu of modern participating democracy. And in emphasizing disputes over income shares as central to the whole dynamic process of growth, inflation, and conflict resolution, Hankel and Isaak have seen a very important issue that is given all too little attention by most writers on inflation.

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HOPKINS, ANNE H. *Work and Job Satisfaction in the Public Sector.* Pp. x, 146. Totowa, NJ: Rowman & Allanheld, 1983. $27.50.

Hopkins, an associate professor of political science at the University of Tennessee, Knoxville, has written an interesting little study about job satisfaction among a group of public employees. Hopkins developed a questionnaire, sent it to a cross section of public employees in five state capitals, and achieved a 65 percent return rate. Her book essentially consists of an explanation of the development of her survey and an exposition and interpretation of the answers.

Hopkins notes that by the early 1970s, at least 2000 studies of job satisfaction had been conducted. She argues that her study improves on the normal model in three ways: she considers unionization as a variable, she includes questions about job environment as well as job characteristics, and she uses a multivariate method to analyze her findings.

Most of the employees who answered the Hopkins survey were fairly satisfied with the intrinsic job characteristics of their positions, whereas a somewhat smaller number were pleased with their job environment. For Hopkins, job environment includes such factors as income, civil service status, mobility, promotions, size of work place, unionization, discrimination, and supervision. Hopkins concludes that efforts to increase worker satisfaction will yield their best results if the job environment, as well as the more narrow intrinsic job traits, are modified.

The research survey and its interpretation are well thought out. Hopkins sees and notes the limitations of her data. She also explains, in a clear, convincing fashion, why questions were asked and how her conclusions were arrived at. No sooner had I raised a question about her analysis than it was answered in the text.

The major weakness was precisely the extremely narrow research scope of the study. What we have to work from as data are the answers to one survey. As Hopkins notes, "Our description of the work situation lacks a certain vitality or texture." At the least, some historical account of the civil service status and unionization history of each group of workers would have given the book a little more substance.

I recommend the book to social scientists interested in the question of job satisfaction and to students of and workers in the field of public employee labor relations.

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PERETZ, PAUL. *The Political Economy of Inflation in the United States.* Pp. 268. Chicago: University of Chicago Press, 1983. $28.00. Paperbound, $14.00.

Paul Peretz addresses the perennial political science issue of whether a pluralist, an elitist, or a Marxist model best describes the American political system. His refinement of these hypotheses is applied to the problem of controlling inflation. The failure to contain inflation often has been laid at the clay feet of the American pluralist-democratic system. The models have different implications for those sufficiently powerful to forge economic policies and for what those policies might be.

Peretz surveys the economic theory of inflation; public perceptions of inflation, based on survey research; the translation of perceptions—or misperceptions—into political demands; and the power nodes of policymaking. Finally, he appraises the performance of the three models. The survey of economic theory is accurate, save for minor slips. His own statistical estimate of the distributional effects of inflation on real income is seriously flawed by identification and collinearity snafus. Peretz gets back on track with a superb review-interpretation of the public opinion surveys. Although most of those surveyed dislike inflation, the respondents do not understand its actual effects because of income illusion and demand transference, in which financial situations deteriorating for reasons unrelated to inflation nonetheless are blamed on inflation. So much for economists' theory of rational expectations!

We go deeper into the quagmire of perception as Peretz addresses political demands. The policies people seem to want would not, according to conventional economic theory, be anti-inflationary. Peretz finds that elites influencing the Federal Reserve, the White House, and key congressional committees determine economic policy while broad segments of the population are safely ignored. In addition to the power of the nonelected groups such as the Federal Reserve, the elected officials do not always get what they want, and when they do, the economy does not always respond as anticipated.

In a society in which interests are inaccurately perceived, not represented, or, where represented, wrong-headed but often ineffective, the pluralist model appears hopelessly flawed. Do elitist and Marxist models fare any better? Peretz claims that the failure of perception is consistent with the false consciousness or general ignorance seen as normal in these models. After three decades of inflation, people do not seem to know which policies slow inflation. Moreover, the views of the general public and the policymakers, as well as the goals of organizations and their membership, diverge. Of the models' variants, Peretz finds the competing elites model most reliable.

It is difficult to know what to make of a society in which people are ignorant and elites are wrong but ineffective. Certainly people cannot be blamed if economists cannot correctly diagnose, much less prescribe. What we do reap is massive economic mismanagement: the evidence since 1968 is there for all to see. The real problem is found in one table in Peretz's book, a matrix of occupations and attitudes toward anti-inflation policies in 1969 (p. 193). Non-wage-earners would raise income, but laborers would not; shareholders would raise interest rates but laborers would not; laborers would have price and wage controls but shareholders would not. Everyone would reduce government spending. Ideology rules; the divisions are not so much along class lines as along the lines of free market versus government planning. Government spending becomes the convenient scapegoat for the entire society because the safest recommendation is the one that we know will never be implemented.

Peretz fills a major gap in the literature: he ties economic theory to policymaking through the skillful use of public opinion polls. Even where his diagnosis is wrong, he sheds light.

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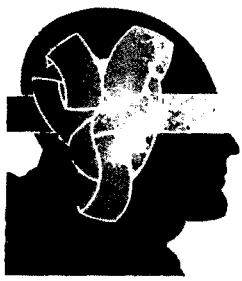

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